



PROSPECTUS

12 October 2004

CORPORATE DIRECTORY

Chairman	Donald G. Keith
Deputy Chairman	Trevor R. Morgan
Managing Director	Roger D. Masters
Non-Executive Directors	Bernard J. Ballantyne Ian A. Cane Rosemary Doherty Phillip F. McHugh Warwick B. Wilshire
Secretary	Errol J. Bailey
Registered Office	399 Archerfield Road RICHLANDS QLD 4077 Ph 07 - 3712 8282 Fax 07 - 3712 8286 Email: honey@capilano.com.au Website: www.capilano.com.au
Independent Accountants	Cranstoun & Hussein Chartered Accountants Level 2 Reserve Bank Building King George Square BRISBANE QLD 4000
Auditors	Cranstoun & Hussein Chartered Accountants Level 2 Reserve Bank Building King George Square BRISBANE QLD 4000
Lawyers	McCullough Robertson Central Plaza Two 66 Eagle Street BRISBANE QLD 4000
Bankers	National Australia Bank Level 9 255 Adelaide Street BRISBANE QLD
Trustee	Trust Company of Australia Limited 213 St. Paul's Terrace BRISBANE QLD 4000
Lawyers for the Trustee	Phillips Fox Level 29 Waterfront Place 1 Eagle Street BRISBANE QLD 4000

This Prospectus relates to:

- ✧ the issue of Unsecured Notes
- ✧ the issue of Shares to supplier shareholders.

This Prospectus expires on 11 November 2005. It is the thirteenth Prospectus issued by the Company to date.

This Prospectus is dated 12 October 2004 and was lodged at the Australian Securities and Investments Commission on 12 October 2004.

No responsibility for the contents of this Prospectus is taken by the Australian Securities and Investments Commission or any of its officers.

Capilano Honey Limited is listed on the Bendigo Stock Exchange ('BSX'). The BSX takes no responsibility as to the contents of this Prospectus.

No Unsecured Notes or Shares will be issued pursuant to this Prospectus after 11 November 2005.

This Prospectus does not constitute an offer in any place, where, or to any person to whom, it would not be lawful to make such an offer.

Applicants should read this Prospectus in its entirety before deciding to apply for Shares.

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in the "Defined Terms" section.

Capilano Mission Statement

- ♦ *to enhance shareholder prosperity through leadership in the marketing of honey and other foods and related products in Australia and selected overseas markets by achieving excellence in*

Customer service

Product quality

Product innovation

- ♦ *to continue a commitment to employee career development and well-being.*
- ♦ *to be an ethical and responsible member of the community and act in a manner conducive to the welfare and protection of the environment.*

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DEFINED TERMS

AFAL	Allowrie Foods Australia Limited ACN 002 400 339.
ALLOWRIE	A registered trade mark of Fonterra Finance Corporation Limited of New Zealand.
ANDERSON HONEY	A registered trade mark of Capilano Honey Limited.
ASIC	Australian Securities and Investments Commission.
BARNES.....	A registered trade mark of Capilano Honey Limited.
BOARD	The Board of Directors of Capilano Honey Limited.
BSX	Bendigo Stock Exchange.
CAPILANO DEPOSIT FUND or CDF	The total of Unsecured Notes issued.
CAPILANO	A registered trademark of Capilano Honey Limited.
THE COMPANY, or CHL	Capilano Honey Limited ABN 55 009 686 435 and where applicable its subsidiaries.
CBL.....	Capilano Beekeepers Ltd.
CONSTITUTION	The Constitution of either CHL or CBL, as indicated.
DEPOSIT APPLICATION FORM	The purple application form accompanying this Prospectus to be used by Depositors to open new deposits.
DEPOSIT FORM	The blue deposit form accompanying this Prospectus to be used by Depositors only to add to at call deposits.
DEPOSITOR/INVESTOR	Holder of Unsecured Notes in the Capilano Deposit Fund.
FOUNDATION SHARE.....	A share in the Company which is on issue only to Capilano Beekeepers Ltd, allowing it special voting rights in meetings of Capilano Honey Limited.
HONEY SUPPLY AGREEMENT	An agreement between Supplier Shareholders and the Company for the supply of honey as described in Section 1.4, 3.2 and 9.3.
INVESTMENTS	Deposits in the Capilano Deposit Fund represented by Unsecured Notes issued pursuant to this Prospectus.
LAW	The Corporations Act 2001 (<i>Cth</i>).
MEDIHONEY	Medihoney Pty Ltd ABN 35 091 722 271, a wholly owned subsidiary of the Company.
NMP	National Manufactured Products No.2 Limited ACN 002 400 339 (previously named Allowrie Foods Australia Limited).
PDS	PDS Rural Products Limited.
PROSPECTUS.....	This Prospectus dated 12 October 2004, which is the thirteenth Prospectus issued by the Company.
QUOTA PRICE	Price paid by CHL to Supplier Shareholders for quota honey supplied in accordance with Honey Supply Agreements.
REGULAR DEPOSIT FORM	The green regular deposit form accompanying this Prospectus to be used by Depositors for regular deductions only to add to at call deposits.
RETAINS	Amounts which may be deducted by the Company from moneys payable to Supplier Shareholders pursuant to their Honey Supply Agreement which may be retained by the Company as unsecured loans for a term of up to five years. (see Section 3.2).
SHARE APPLICATION FORM	The red application form for shares attached to this Prospectus. This form must be used ONLY to apply for new shares issued in accordance with Section 1.2 of this Prospectus.
SHARE ISSUE	An issue of shares to existing shareholders as described in Section 1.2.
SHARES	Ordinary shares in CHL.
SUPPLIER SHAREHOLDER	A shareholder who is a party to a current Honey Supply Agreement.
TAX ACT	Income Tax Assessment Act 1936 as amended and Income Tax Assessment Act 1997 as amended.
TRUST DEED or DEED	Trust Deed for Unsecured Notes and Debenture Stock dated 17 May 1993 between the Trustee and the Company.
TRUSTEE	Trust Company of Australia Limited ACN 004 027 749.
UNSECURED NOTES	The Unsecured Notes issued to Depositors pursuant to this Prospectus.

CHAIRMAN'S LETTER

Dear Shareholder

This is the thirteenth Prospectus issued by Capilano Honey Limited ('CHL') and replaces the Prospectus dated 13 October 2003.

The purposes of this Prospectus are to:

- permit CHL to continue to accept deposits and issue Unsecured Notes; and
- to permit it to issue shares to enable suppliers to comply with shareholding obligations in Honey Supply Agreements.

CHL is a listed public company and its Constitution contains certain provisions affecting its control following a restructure approved by shareholders at a General Meeting on 14 May 2004.

CHL listed on the Bendigo Stock Exchange on 18 June 2004 to facilitate share trading, following legislative changes which saw the cessation of its Exempt Stock Market in February 2004. As part of the restructure, Capilano Beekeepers Ltd ('CBL') was issued a Foundation Share in CHL which provides:

- CBL with 75% of the total number of votes able to be cast in relation to special resolutions of CHL;
- CBL with the power to pass or veto any ordinary resolution put to a shareholders meeting of CHL;
- for the elected non-executive Beekeeper Directors of CBL to be appointed to the Board of CHL.

CBL is currently owned by all shareholders of CHL, and will in future be owned only by supplier shareholders of CHL, subject to the terms of the CBL Constitution.

CHL is now in its thirty fifth year since becoming a public company. Its core business is the processing, packaging and marketing of honey and beeswax purchased from its shareholders.

Since its incorporation there has been a requirement determined by the Board for each Supplier Shareholder to hold a number of shares in proportion to the number of hives of bees employed for honey production. At the date of this Prospectus, the shares to hives ratio is sixteen i.e. each shareholder with a Honey Supply Agreement is required to hold sixteen shares for each hive used for honey production. This ratio may change in the future.

CHL has paid a dividend on its shares every year since 1974. The dividend for any year takes into account the level of profit earned in that year and the importance of retaining a portion of after-tax profit. For the year ended 30 June 2004, the Directors declared a fully franked dividend of 5 cents per share.

The Directors cannot provide any guarantee of either future profit, net asset backing, market price for shares, nor rate of dividend as these factors are influenced by many variables which may be outside the control of CHL.

Persons wishing to acquire shares should seek to purchase shares on market by contacting an approved BSX broker.

Depositors wishing to deposit moneys in the Capilano Deposit Fund ('CDF') will be required to use the forms described in Section 7 of this Prospectus and attached at the back of it.

Existing shareholders and persons wishing to acquire shares or deposit funds are encouraged to read this Prospectus in full.

We welcome new depositors, new shareholders, and shareholders increasing their holdings, and trust that CHL will continue to serve their needs in the future.

Yours faithfully



D G Keith
Chairman

1 OVERVIEW

1.1 In Brief

Capilano Honey Limited ('CHL') was established in 1953 and has grown to be the largest honey processor in Australia. Its main objectives are to process, pack and market honey and wax purchased from its shareholders. It is listed on the BSX, and is governed by its Constitution, the BSX listing rules, and the Law.

1.2 Share Ownership

Share Ownership

Since incorporation, all Supplier Shareholders have been obliged to hold a number of shares in CHL determined by the number of hives used by the shareholder for honey production. The number of shares is determined by a shares-to-hives ratio established by resolution of the Directors from time to time, at their discretion.

At the date of this Prospectus, the shares-to-hives ratio is sixteen, which means that shareholders with Honey Supply Agreements are required to hold sixteen shares for each hive of bees employed for honey production. This ratio is not fixed and may be changed in the future.

Share Issue

The CHL Constitution allows Directors to issue shares to persons who have applied for and been issued with a Honey Supply Agreement. New shareholders need only be issued with one share to become parties to a Honey Supply Agreement, subject to those shareholders agreeing to acquire shares on the BSX to satisfy their Honey Supply Agreement obligations to own 1,600 shares for every 100 hives operated.

Ownership of Foundation Share

As part of the restructure approved by shareholders in May 2004, CBL was issued a Foundation Share in CHL which provides:

- CBL with 75% of the total number of votes able to be cast in relation to special resolutions of CHL;
- CBL with the power to pass or veto any ordinary resolution put to a shareholders meeting of CHL;
- for the elected non-executive Beekeeper Directors of CBL to be appointed to the Board of CHL.

1.3 Share Trading - Bendigo Stock Exchange

Following legislative change which saw the cessation of its Exempt Stock Market in February 2004, CHL listed on the Bendigo Stock Exchange on 18 June 2004 to facilitate share trading. Non-shareholders and shareholders wishing to acquire shares in CHL should acquire them through the BSX.

1.4 Honey Supply Agreements

CHL may enter into Honey Supply Agreements and establish an annual supply quota with Supplier Shareholders. This quota is not transferable, but may be re-assigned where the bona fide sale of an apiary business has taken place, subject to a satisfactory history of deliveries against quotas. A non-shareholder honey producer who wishes to purchase CHL shares and supply honey may make application to enter into a Honey Supply Agreement and annual supply quota. Ownership of CHL shares does not create a right to a Honey Supply Agreement or annual supply quota. For further details refer to Sections 3.2 and 9.3 of this Prospectus.

1.5 Capilano Deposit Fund ('CDF') - Unsecured Notes

This Prospectus enables shareholders, former shareholders, their families, staff members and close relatives and beekeeper associations, who are not existing depositors, to become depositors in the CDF. Deposits in the CDF are represented by Unsecured Notes, issued by CHL in accordance with the Trust Deed (please refer to Section 9.9 for full details of the Trust Deed). The total of deposits from shareholders and others has varied from time to time. As at 30 June 2004 the total deposits in the CDF was \$2,158,936. Unsecured Notes issued pursuant to this Prospectus are not transferable. For further details of the CDF please refer to Section 7.

1.6 Board of Directors

The Board currently consists of five non-executive Beekeeper Directors, two non-executive Independent Directors, and the Managing Director. Refer to Sections 2.1 and 10.3 for additional information.

1.7 Risk Factors

Investment in the shares or unsecured notes of a company usually exposes an investor to the same array of business risks and other risks to which the company is itself exposed. Failure of a company and liquidation of its assets may result in shareholders or noteholders losing part or all of their investment.

CHL's business is exposed to a variety of commercial and other risks all of which have some potential to affect its future profitability and to influence both dividends on shares and prices which it is able to pay shareholders for honey supplied. For further details refer to Section 6.

2.1 The Board

At the date of this Prospectus and in accordance with the Company's Constitution the Board comprises:

- five Beekeeper Directors
- the Managing Director
- two Independent Directors

The Directors of CHL are:

- .. **Donald G. Keith**, FAICD, AM, *Chairman, Commercial Apiarist, aged 65*

Mr Keith has been a Director since 1989. He was appointed Deputy Chairman in March 2000 and Chairman in October 2000. He is well known in the apiculture industry as a honey producer. During more than thirty years of active involvement in industry affairs, he has served three terms as President of the Queensland Beekeepers Association, and from 1986 to 1989 held the position of National President of the FCAAA. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Diploma. He was made a member of the Order of Australia in 1999. He was also a recipient of the Goodacre Memorial Award in 2000. Mr Keith is Chairman of the Company's Nomination Committee, and is a member of the Honey Supply & Industry Committee. He is also a Director of Medihoney Pty Ltd.

- .. **Trevor R. Morgan**, *Deputy Chairman, FAICD, Commercial Apiarist, Non Executive Director, aged 50*

Mr Morgan was elected as a Director in 1998. He is a second generation beekeeper with over 30 years experience in honey production. He has been widely involved in industry matters for many years at both State and National level, serving on the South Australian Apiarist Association executive for more than ten years, including two years as President. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Diploma. Mr Morgan is Chairman of the Company's Audit & Compliance Committee and a member of the Honey Supply & Industry and Nomination Committees.

- .. **Roger D. Masters**, B.Com, MBA, CA, *Managing Director, aged 49*

Mr Masters was appointed by the Board as Managing Director in 1996. He has a Bachelor of Commerce degree, a Masters Degree in Business Administration and is an Associate of the Institute of Chartered Accountants. He has had a distinguished career in senior management with significant experience in finance, marketing and business development. Prior to joining CHL Mr Masters was Finance Director at Bullivant's Natural Health Products. He is a member of the Company's Audit & Compliance and Honey Supply & Industry Committees. Mr Masters is also a Director of Medihoney Pty Ltd, Medihoney (Europe) Ltd and Capilano Labonté Inc.

- .. **Bernard J. Ballantyne**, *Independent Non-Executive Director, aged 57*

Mr Ballantyne is the Group Managing Director of Castlegate VGS Pty Ltd which is involved in the marketing and distribution of grain and grain by-products. He has had extensive experience in agribusiness in senior management positions encompassing operations, sales, marketing and general management. Prior to his appointment to the CHL Board as Independent Director in 1991, Mr Ballantyne had been the AFAL Nominee Director for six years. Mr Ballantyne is a member of the Company's Remuneration and Audit & Compliance Committees. He is also Chairman of Medihoney Pty Ltd and Capilano Labonté Inc.

- .. **Ian A. Cane**, *Commercial Apiarist, Non Executive Director, aged 46*

Mr Cane has been a Director since 1990 and appointed Deputy Chairman in October 2000. He is a third generation beekeeper with extensive experience in honey production. Mr Cane is a qualified carpenter and joiner and has conducted his own business in the building industry. Mr Cane is Chairman of the Company's Remuneration Committee and a member of the Honey Supply & Industry and Nomination Committees.

- .. **Rosemary Doherty**, *GAICD, Commercial Apiarist, Non Executive Director, aged 54*

Mrs Doherty was elected as a Director in October 2000. She has been a commercial apiarist in a partnership for over 30 years and is actively involved in industry issues, serving 20 years as Branch Secretary, NSW Apiarists' Association, Western Plains Branch, and seven years as a member of the Honey Bee Research and Development Committee. She is a Graduate of the Australian Institute of Company Directors and holds a Company Directors' Diploma and Certificate IV in Business Studies from New South Wales TAFE. Mrs Doherty is a member of the Company's Honey Supply & Industry, Remuneration and Nomination Committees.

.. **Phillip F. McHugh**, *Commercial Apiarist, Non Executive Director, aged 47*

Mr McHugh has been a Director since 1993. He is well known in the NSW apiculture industry and his family have been CHL shareholders since 1975. Mr McHugh is active in industry affairs having served as Branch President of the NSW Apiarists Association. He is Chairman of the Honey Supply & Industry Committee and a member of the Company's Nomination Committee.

.. **Warwick B. Wilshire** FAICD, JP(C.Dec), *Independent Non-Executive Director, aged 66*

Mr Wilshire joined the Company as Chief Executive in 1983 and was appointed Managing Director in 1984. Following his retirement in June 1996 the Board appointed him as an Independent Director. Mr Wilshire has extensive experience in manufacturing, marketing, financial and general management gained during more than forty years in management positions. He is a Fellow of the Australian Institute of Company Directors and holds a Management Certificate from Sydney Technical College and a Company Directors' Diploma. Mr Wilshire is a member of the Company's Audit & Compliance and Remuneration Committees. He is also a Director of Medihoney Pty Ltd.

2.2 Board Committee Membership

The Board has established a number of committees to advise and assist the Board in maintaining a high standard of corporate governance. These committees and the Directors currently serving on them are as follows:

Audit & Compliance	T. R. Morgan (Chairman) B. J. Ballantyne R. D. Masters W. B. Wilshire
Honey Supply & Industry	P. F. McHugh (Chairman) I. A. Cane R. Doherty D. G. Keith T.R. Morgan R.D. Masters
Nomination	D. G. Keith (Chairman) I. A. Cane T. R. Morgan P. F. McHugh R. Doherty
Remuneration	I. A. Cane (Chairman) W. B. Wilshire B. J. Ballantyne R. Doherty

2.3 Senior Management

The senior management group consists of the following people:

.. **Roger D. Masters** B.Com, MBA, CA, *Managing Director, 8 years service*

(for details see Section 2.1).

.. **Errol J. Bailey** CPA, FCIS, JP(C.Dec), *Company Secretary, 22 years service*

A Certified Practising Accountant and a Fellow of Chartered Secretaries Australia. Mr Bailey has extensive experience in corporate administration and finance, gained during more than twenty five years in management positions. Mr Bailey is also Company Secretary of Medihoney Pty Ltd and Medihoney (Europe) Ltd.

- .. **Anthony P. Moloney** B.App.Sc.(Food Technology), METM, AAIFST, *Director & Chief Executive Officer of Medihoney Pty Ltd, and a Director of Medihoney (Europe) Ltd, both wholly owned subsidiaries of CHL, 19 years service*

Following a period as Branch Manager of Toowoomba Smallgoods Factory, Mr Moloney joined CHL as Brisbane Branch Manager in 1985 and was promoted to National Research and Development Manager in 1990 and National Operations Manager in 1996. He was appointed Chief Executive Officer of Medihoney in 2003. Mr Moloney has a Bachelor of Applied Science degree (Food Technology) and a Masters Degree in Engineering and Technology Management from the University of Queensland.

- .. **Aileen J. Bleakley** B.Bus, CPA, *Financial Controller, 4 years service*

Mrs Bleakley has a Bachelor of Business – Accountancy degree and is a Certified Practising Accountant. She has in excess of fifteen years experience in accounting and finance roles for major corporations to small manufacturing firms. Mrs Bleakley joined the company in April 2000 as Management Accountant and was appointed to her current position on 1 November 2003.

- .. **Kevin Fenton**, *National Sales Manager, 6 years service*

Mr Fenton joined the company on 1 July 1998 as NSW Sales Manager and was promoted to his present position of National Sales Manager in August 1999. He has in excess of 10 years supermarket retail experience and has spent the past 10 years in sales management roles with several major fast moving consumer goods organisations in both New Zealand and Australia. He has held senior sales management positions in both Victoria and New South Wales.

- .. **Peter McDonald** B.Int.Bus (Hons), *International Business Manager, 4 years service*

Mr McDonald has a Bachelor of International Business (Honours) and a Diploma of Export Management. Prior to joining CHL, Mr McDonald spent 3 years in London with the Queensland Government Trade and Investment Office, promoting agribusiness and food products in Europe. Mr McDonald joined the company in December 2000 as Business Development Manager (Europe) and was promoted to his present position in January 2002.

- .. **John Gill** B.App.Sc (Food Technology), *National Operations Manager, 1 years service*

Mr Gill has a Bachelor of Applied Science (Food Technology) from the Queensland Agricultural College. Previous experience prior to joining CHL in March 2003, includes 20 years in senior operations management roles in the dairy industry throughout Australia and 13 years with Bullivant's Natural Heath Products, including 8 years as General Manager.

2.4 Staff Resources

CHL employs 100 permanent staff, and a pool of casual employees, the latter being chiefly employed in staffing the honey packing lines. Twenty nine employees have ten years or more service, and three have twenty years or more.

The Company recognises the importance of security and personal development opportunities for employees in helping to achieve its objectives. Staff members regularly participate in in-house and external training in matters relevant to the Company's needs.

3.1 History of Capilano Honey Limited

CHL is a listed public company and its Constitution contains certain provisions affecting its control.

Early in 1953 a small honey packing factory was set up on the site at Richlands, Brisbane, now occupied by CHL's head office and the Brisbane packing and distribution centre. On 1 July 1958 the business was incorporated as a proprietary company called Capilano Apiaries Pty Limited, the founding members being J.C. (Tim) Smith, M.B.E. and his brother, the Late H.A. (Bert) Smith, and several other commercial apiarists.

In 1970 the name was changed to Capilano Apiaries Limited with the name Honey Corporation of Australia Limited being adopted in 1974. The Company's history, however, goes back to 1950, when the business of Capilano Apiaries was founded by Tim and Bert Smith, who began packing and selling their Capilano brand honey to grocery stores around Brisbane. The name "Capilano" has a nostalgic connection. The business was named after the Capilano district near Vancouver, Canada, the home town of Tim Smith's wife, Jill, whom he met while stationed in Canada as an RAAF flying instructor during World War II.

As business grew, more commercial apiarists joined the Company as shareholders and honey suppliers.

Interstate expansion and development of export markets followed as the Company continued to prosper and grow under the leadership of founder, Tim Smith, who served as Managing Director from formation until 1983 when he relinquished the Chief Executive's role and became Chairman of Directors until his retirement in 1987.

In 1968 a packing plant and distribution centre was established at St Marys near Sydney, New South Wales, followed by Maryborough, Victoria in 1974.

In 1974 an Agreement was signed between CHL (then Honey Corporation of Australia Ltd) and PDS whereby CHL commenced the packing and supply of "Allowrie" brand honey products to PDS. PDS became a shareholder in CHL and closed its honey packing facilities in Sydney and Brisbane. A number of honey producers who had been suppliers to PDS also became shareholders in CHL.

This long-standing relationship terminated in May 1995 when CHL purchased the Allowrie honey business from its then current owner (Sunburst Regency Foods Pty Ltd, a subsidiary of National Foods Limited) and secured a licence in perpetuity to use the Allowrie trade mark for honey products. The trade mark is currently owned by Fonterra Finance Corporation Limited.

A major business expansion occurred in 1989 when CHL purchased the Barnes honey brand from Farmers Union Foods Limited and secured a licence agreement to market the Farmers Union and Golden North brands.

In 1994 CHL acquired the Anderson Honey brand from Henry Jones Foods.

In 1995 shareholders resolved to change the name of the Company to Capilano Honey Limited to reflect the wide recognition of the Capilano trade mark throughout Australia and many overseas markets. This change took effect on 1 March 1996. Honey Corporation of Australia Pty Ltd has been retained as a subsidiary company.

The redevelopment of the Brisbane factory was completed in June 1998, and its new high speed packing line and production equipment became fully operational in April 1999. The St Mary's plant was then closed.

In January 2000 CHL acquired the honey business of Greens General Foods Pty Limited, and in November 2000 it acquired the honey business of Windsor Farm Foods Pty Ltd, including the Heather Creamed Honey, Glenrock and Honey Bear brands.

A wholly owned subsidiary, Medihoney Pty Ltd, was formed in February 2000 to commercialise the therapeutic wound care benefits demonstrated by some Leptospermum honeys. "Medihoney" is a registered trademark of Medihoney Pty Ltd.

In June 2003 CHL entered into a joint venture with HoneyMax s.a. of Argentina to sell quality controlled industrial honey from Argentina to customers throughout the world.

In July 2003 CHL acquired a fifty percent interest in Capilano Labonté Inc, merging its North American sales operations with Canadian honey packer, Miel Labonté Inc. The merger will substantially increase the Company's global reach, positioning it to meet overseas demand for high quality honey products.

The Company listed on the Bendigo Stock Exchange on 18 June 2004 to facilitate share trading, following legislative change which saw the cessation of its Exempt Stock Market in February 2004.

3.2 Honey Supply Agreements

CHL's honey supply base is underpinned by Honey Supply Agreements with Supplier Shareholders. The Company enters into a Honey Supply Agreement and establishes an annual supply quota with these suppliers. The quota is not transferable, but may be re-assigned where the bona fide sale of an apiary business has taken place subject to a satisfactory history of deliveries against quotas. A non-shareholder honey producer who wishes to purchase CHL shares and supply honey to the Company may make application for a Honey Supply Agreement and annual supply quota. The Directors set from time to time, the total quantity of quota available for allocation (the quota pool). Reviews of quotas and quantities of honey supplied by shareholders with Honey Supply Agreements are carried out periodically.

Honey Supply Agreements create an obligation upon each Supplier Shareholder to participate in the Retains system. The Retains system is separate and distinct from the Capilano Deposit Fund.

Ownership of CHL shares does not create a right to a Honey Supply Agreement or annual supply quota.

Retains

Amounts may be deducted by CHL from moneys payable to Supplier Shareholders pursuant to their Honey Supply Agreement and may be retained by CHL as unsecured loans for a term of up to five years. (see Section 3.2).

In certain circumstances the Board may exercise its discretion to allow Retains to be used to acquire shares issued pursuant to Rule 74 of the Constitution, and to acquire shares on the BSX.

Prior to July 2001 Retains deductions were made at the rate of 5% and were paid interest half yearly. Retains Interest is based on the Commonwealth Bank term deposit interest rates by adding a margin of 0.25% to the average of rates for standard term deposits of 60 months at the beginning and end of each 6 month period, and according to the average value of Retains upon which interest was calculated.

In September 2001, the Board resolved to cease Retains deductions from 1 October 2001 subject to review at the end of each financial year, and to return Retains deducted since 1 July 2001. Following further reviews, the Board has resolved to continue the suspension of retains deductions.

For further details refer Section 9.3.

3.3 Corporate Culture

CHL's corporate culture aims to:

- ♦ recognise, aim for and encourage high ethical standards.
- ♦ encourage responsible and courteous relationships with and between staff, shareholders and all who have contact with the Company.
- ♦ have honey producer ownership and control embodied in the Constitution and reflected in honey price.
- ♦ achieve profitability through good planning funded by adequate profit retention.
- ♦ strengthen shareholder support by maintenance of the Company's co-operative nature where appropriate.
- ♦ provide adequately for employee well-being through appropriate remuneration and a safe and harmonious workplace.
- ♦ satisfy the expectations of customers and consumers through product quality, safety and innovation.
- ♦ protect shareholders and all stakeholders in the Company by implementing appropriate compliance procedures and corporate governance.

3.4 Ownership of Capilano Honey Limited's Shares

As at 30 June 2004, there were 5,132,176 shares on issue to 718 shareholders. 545 of these shareholders were parties to 508 Honey Supply Agreements with CHL.

3.5 Honey Supply

As at 30 June 2004, there were 508 Honey Supply Agreements in place between CHL and its shareholders.

During the five years to 30 June 2004, approximately 93% of total honey purchased by the CHL was supplied by shareholders.

Honey production and supply is dependent upon climatic variations and seasonal conditions and as a result the annual crop can vary considerably from year to year. The total quantities of honey purchased by the Company in the last five years are shown in the table below. Honey production, with the exception of 1999-2000, has been lower than usual because of unfavourable climatic conditions in much of eastern Australia. These continuing conditions, together with a world shortage of honey, led to increased competition for available supplies which limited the Company's purchases of Australian honey to 11,950 tonnes in 2003-2004. To meet customer demand and to maintain stocks at minimum levels, a further 2,734 tonnes was imported, mainly from Argentina.

Honey Purchases by CHL

Year	Honey Purchased (Tonnes)
1999-00	16,844
2000-01	15,244
2001-02	13,818
2002-03	14,527
2003-04	14,684

3.6 Business Structure

CHL's principal business activity is the processing, packaging and marketing of honey purchased from its shareholders. In the year ended 30 June 2004, the principal business activity generated 93.5% of total sales revenue.

Secondary business activities include:

- sales of unprocessed beeswax supplied by shareholders, mainly into export markets;
- packing and marketing of products other than honey, including "Smith's" brand golden syrup and flavoured syrup toppings;
- accepting deposits from shareholders and others;
- the marketing of Medihoney therapeutic honey products, and overseas operations in Canada and Argentina.

CHL has business centres comprising honey packaging, warehousing and distribution functions at Richlands, Queensland, and Maryborough, Victoria. Both locations are close to the main honey producing regions of eastern Australia and within reach of major domestic markets and shipping ports for exports. Operational management is regional and presently each business centre is responsible for the functions of:

- raw material (honey) intake;
- sourcing and purchase of other inputs;
- invoicing;
- production, warehousing and distribution;
- local administration.

The CHL Corporate Head Office is located at the Richlands business centre and carries out the following centralised functions:

- marketing and sales management;
- export sales and administration;
- accounting, payroll and financial management;
- central computer system and data processing;
- research and development;
- share registry;
- Capilano Deposit Fund administration;
- corporate administration.

Medihoney

Medihoney is a wholly owned subsidiary of CHL, and was established in February 2000 to promote the use of antibacterial honeys in wound care.

Overseas Operations

- **Canada** - On 1 July 2003 the Company acquired a 50% share of Capilano Labonte Inc, a company incorporated in Canada. This arrangement will allow further development in the North American market. Refer section 9.6
- **Argentina** - In 2004 CHL entered into a Joint Venture Agreement with HoneyMax of Argentina for supply and processing arrangements for bulk honey for various export markets. Refer section 9.7

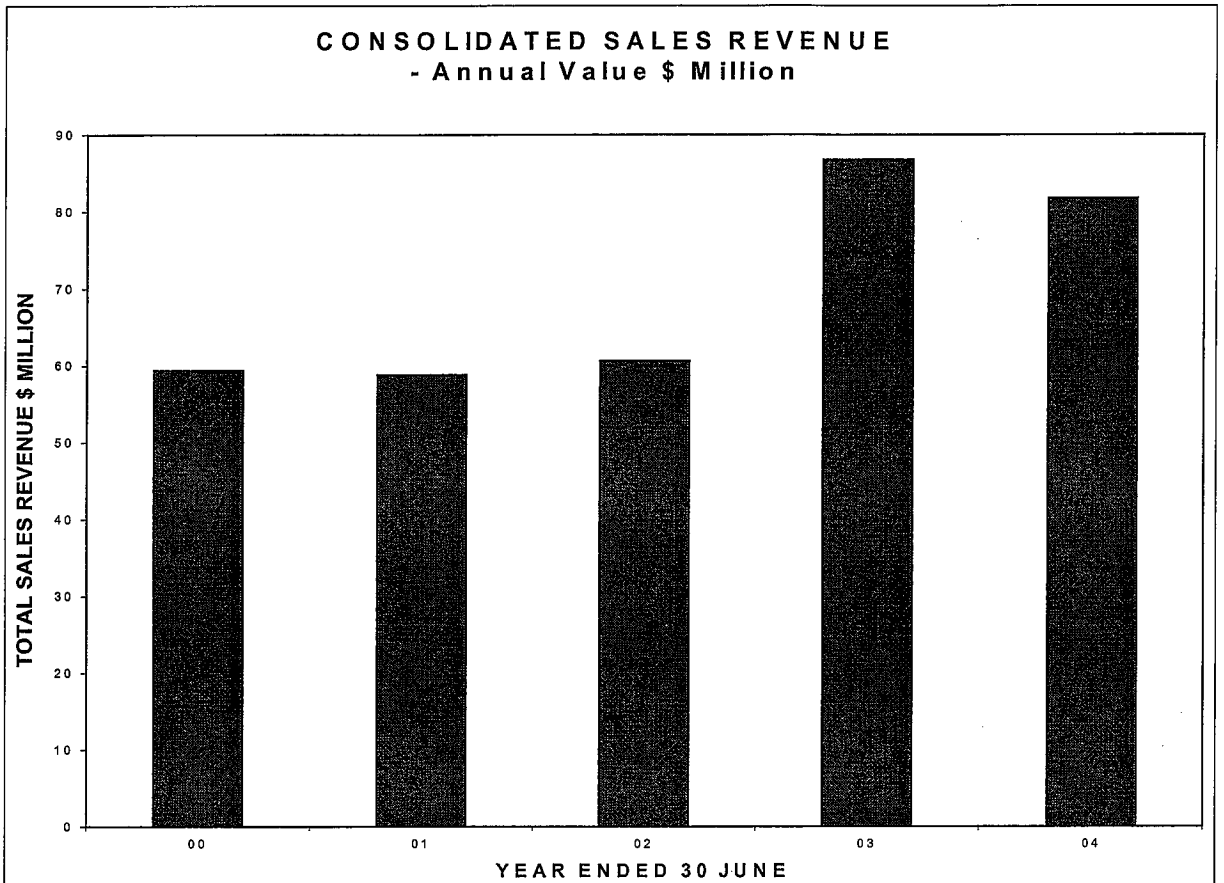


Figure 1

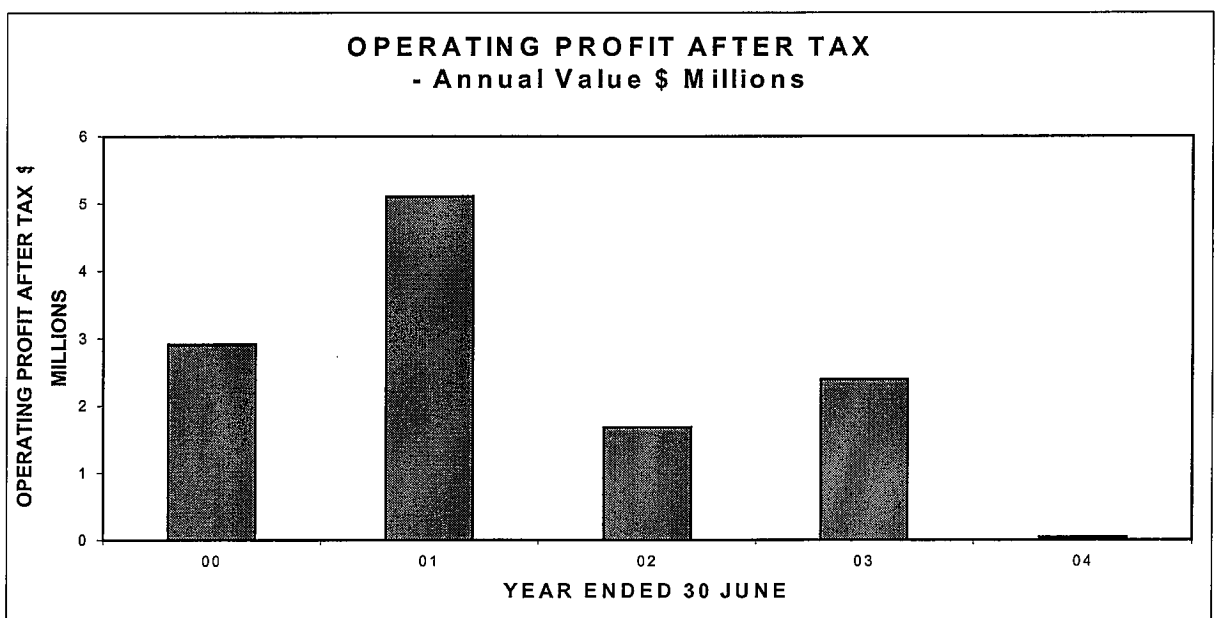


Figure 2

Brands and Trade Marks

CHL owns the trade marks and brands "Capilano", "Barnes", "Anderson Honey", "Glenrock" and "Heather" and holds a licence to use the "Allowrie" trade mark for honey products.

In accordance with relevant Accounting Standards the acquisition cost of brands and honey businesses are included in the Company's balance sheet as intangible assets and amortised over varying periods according to their expected useful lives.

Accounting Standards do not currently require the inclusion of a value for the Capilano brand in the Company's balance sheet. However, the Directors believe this brand is a major asset of the Company and has a substantial value.

Honey Marketing

Consumer honey products and industrial or bulk honey are marketed by CHL in all Australian States and regularly exported to many other countries.

The Company's marketing strategies continue to focus on:

- maintaining Capilano brand as the national market leader;
- acquiring and/or developing other regional honey brands;
- expanding exports of value added consumer honey products;
- identifying new export market opportunities to achieve better prices for bulk export honey.

CHL has a substantial domestic market share in both retail and industrial honey market segments.

Honey Exports

Since incorporation the Company has been an exporter of honey to various overseas markets. In recent years the Company has concentrated overseas marketing efforts in developing future markets for value added retail packed products.

The variable nature of honey production conditions can cause significant variations in crop size from year to year. In allocating honey stocks to marketing activities, preference is generally given to those products and markets which are principal long term profit earners for the business. These are:

- domestic market retail packed products;
- domestic industrial honey;
- export retail packed products.

The annual quantity available for export as bulk honey is therefore determined by the size of each year's crop and the quantities required to satisfy demand in the above three categories.

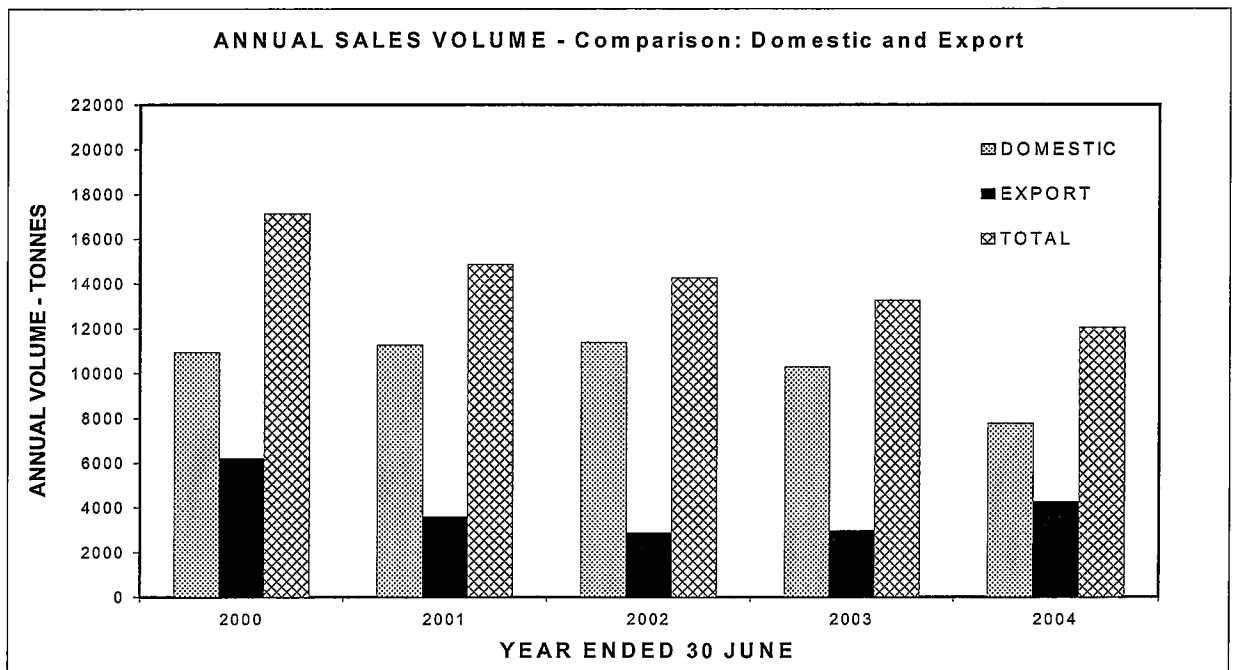


Figure 3

Figure 3 illustrates relative movements in total annual sales volume divided into domestic and export components for the five years to 30 June 2004.

The major exporters of bulk honey to world markets are China, Argentina and Mexico, while the major importing countries are Germany, USA, Japan and the United Kingdom.

It is estimated that Australia supplies only a small percentage of world honey trade and therefore has little opportunity to influence world price levels. Consequently, CHL's bulk export sales are mostly contracted at prevailing world market price levels, although in some markets premiums may be obtainable.

The table below illustrates export volumes sold by CHL for the five years ending June 2004.

Exports of Honey by CHL	
Year	Tonnes
1999-00	6,196
2000-01	3,606
2001-02	2,891
2002-03	2,978
2003-04	4,266

Figure 4 illustrates the range of variation in world market prices (US\$ per tonne) for blending grade bulk honey during the five years to June 2004.

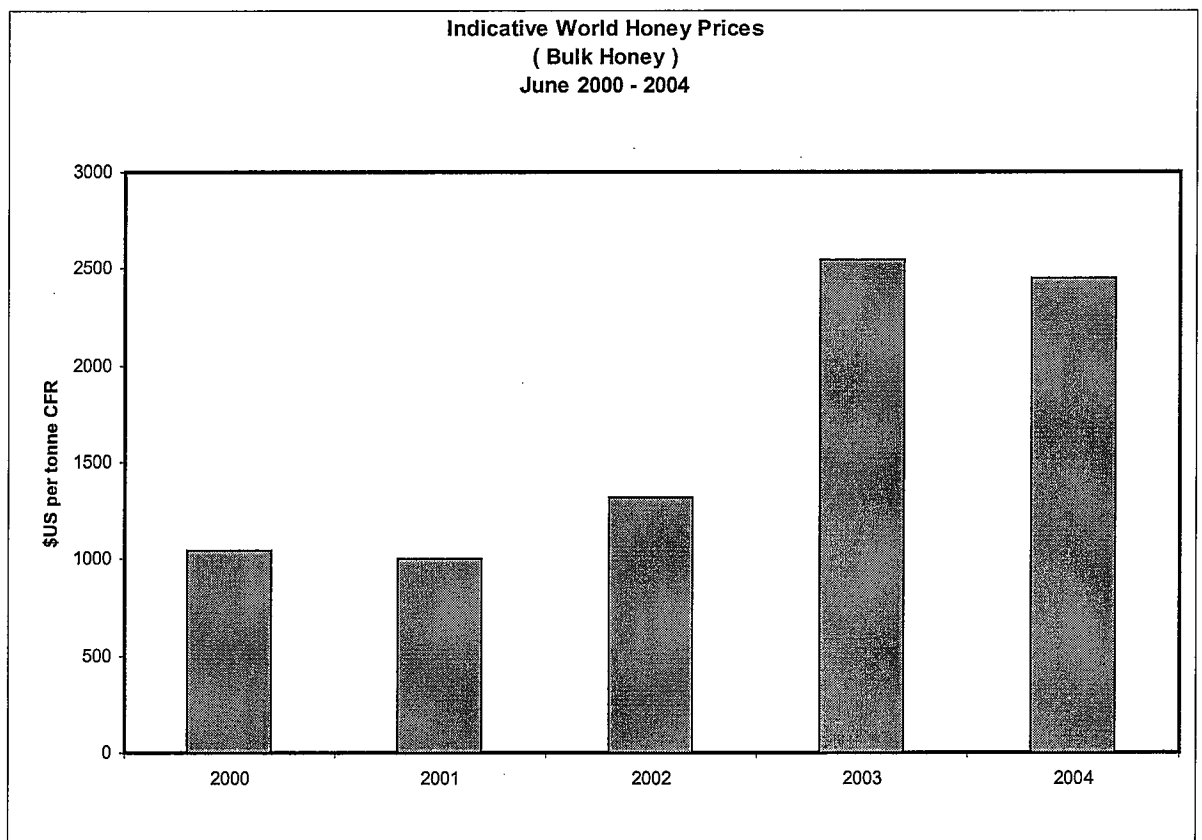


Figure 4

Honey Prices Paid to Supplier Shareholders

Under the terms of Honey Supply Agreements with Supplier Shareholders, the Company agrees to purchase an annual quota quantity at a price termed the Quota Price. This price is determined by the commercial value of various honey grades sold into different markets taking into account market conditions, bulk export volume and market prices, foreign exchange rates and the Company's profit objectives.

The Company may also purchase over-quota honey from shareholders at prices subject to negotiation between the shareholder and the Company.

The graph in Figure 5 illustrates, on a quarterly basis, movements in prices (average raw honey purchase prices) over an eleven year period from 1993 to 2004 for two different grades of honey. These prices include bonuses and premiums that have been paid.

Due to a shortage of supply and movements in world honey prices, prices for Australian honey increased to record levels during the year ending 30 June 2004. However, changes in market conditions saw honey prices fall in the latter half of the year.

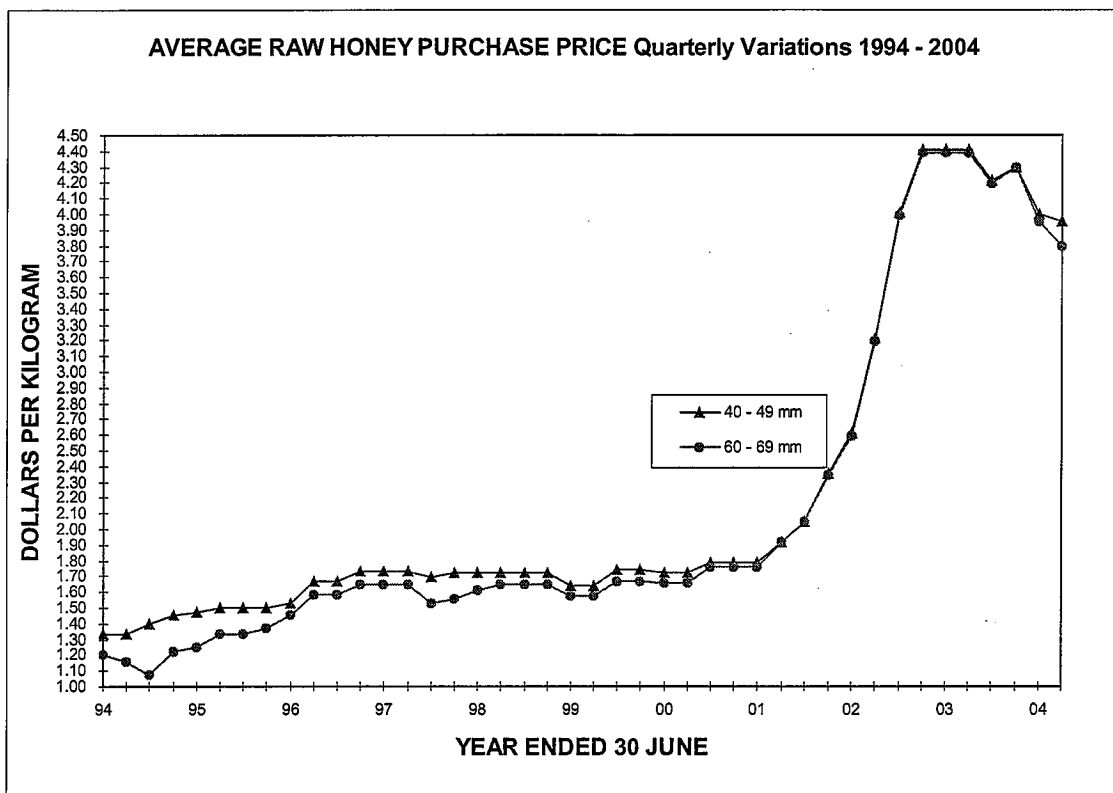


Figure 5

The Company cannot give any guarantee concerning future purchase prices for raw honey supplied by shareholders.

Total Quality Management

CHL operates a total quality management program which requires that all honey purchased and sold must satisfy a number of defined quality standards. Routine sampling and testing of honey supplied by shareholders and others is undertaken as a part of the quality assurance function.

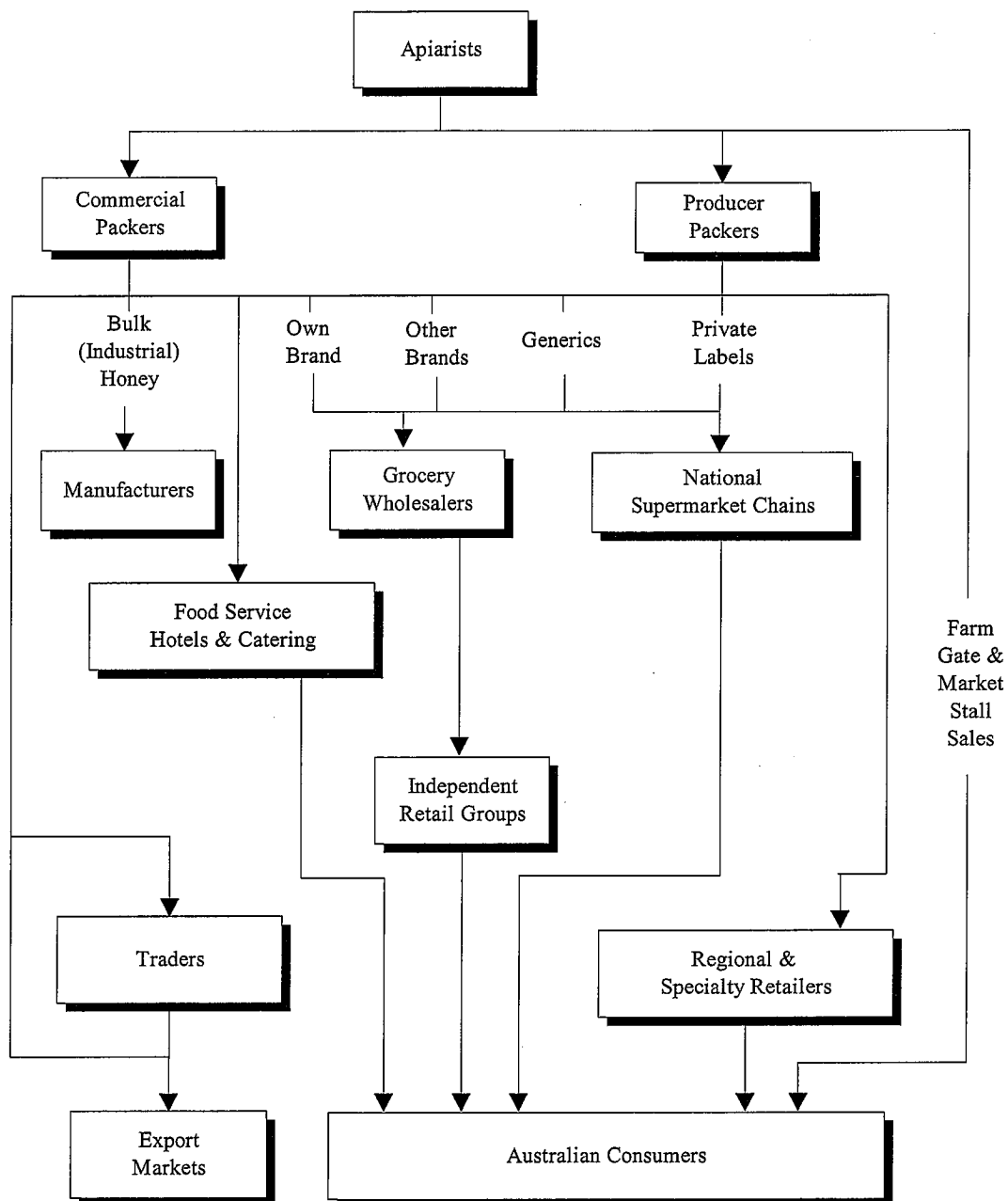
The Company has a comprehensive, fully documented Quality Policy modelled on ISO 9002 and compliant with the Draft Food Hygiene Standard. During 2001 both company production sites became HACCP accredited. This accreditation also included WVQMS (Woolworths Vendor Quality Management System), which means that CHL meets the stringent quality standards of the major retailers.

In 1999, in conjunction with CSIRO, the Company published a document entitled "Reference Manual for Honey Extracting Facilities and Food Safety Program". Pursuant to this, audits are conducted on beekeeper's honey extracting facilities.

Since July 2000 Honey Supply Agreements have required Supplier Shareholders to comply with the requirements of this reference manual. All suppliers are required to complete a Vendor Declaration/Delivery Docket, which provides, among other things, floral source, residue status, and whether the honey has been sourced from a genetically modified crop.

4 SUPPLY, MARKETING, DISTRIBUTION AND EXPORT OF AUSTRALIAN HONEY

The supply, marketing and distribution structure of the honey industry is illustrated below:



5 FINANCIAL INFORMATION

The following table summarises the audited results for the last five financial years.

The detailed audited financial statements for the year ended 30 June 2004 appear in the 2004 Annual Report and are incorporated in this Prospectus by reference.

5.1 Review of Historical Results

Information in the following table has been extracted from audited accounts of the group for each of the previous five financial years (refer to Independent Accountants' Report in Section 8).

a)	Summary of consolidated operating results (\$000s unless noted)	2000	2001	2002	2003	2004
	Total revenue	59,842	59,802	61,316	89,178	86,002
	Operating profit before tax	3,673	4,761	615	4,142	19
	Income tax expense	758	(343)	(1,059)	1,756	(24)
	Operating profit after tax	2,915	5,104	1,675	2,386	43
b)	Dividend					
	Cents per share	17	17	15	20	5
	Provided	872	870	769	1,026	256
c)	Consolidated financial position					
	Total assets	46,333	47,747	49,203	60,569	66,200
d)	Equity					
	Contributed equity	5,287	5,287	5,287	5,287	5,287
	Reserves	4,718	4,718	4,718	4,718	4,697
	Retained profits	10,457	13,125	13,007	14,369	14,156
	Total Equity	20,462	23,130	23,012	24,374	24,140

5.2 Review of 2003/2004 Year Results

Net profit for the year ended 30 June 2004 was \$43,397.

Total Capilano sales declined due to the impact of very high prices and some ill informed publicity on the domestic retail market.

Factors which impacted on profit for the year included:

- drought induced record farm gate prices for honey reflected in an average shareholder price of \$4.38/kg, an increase of 8.5% over the previous year.
- a 10.5% reduction in sales in the domestic market.
- a steep decline in world honey prices in the last three months.

Medihoney sales doubled as this subsidiary's product range increased and gained increased acceptance in Australia and Great Britain.

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

5.3 Annual Report

Details about CHL's financial position as at 30 June 2004 are contained in the Company's Annual Report. The Law requires that sufficient information be given in this Prospectus to persons interested in acquiring shares or lodging funds in the CDF to assist them to make an informed investment decision. This is satisfied only by reading this Prospectus and the Company's 2004 Annual Report in conjunction. In order, therefore, to be fully informed, parties reading this Prospectus should also refer to the material contained in the Company's 2004 Annual Report which includes:

- the audited concise financial report of the Company for the financial year ended 30 June 2004; and
- the Directors Statutory Report.

Persons wishing to obtain a copy of the Company's 2004 Annual Report should write to Capilano Honey Limited, at either PO Box 66, Richlands Qld 4077, fax on 07 3712 8287 or email honey@capilano.com.au and a copy will be forwarded free of charge. ASIC has advised that if investors do not receive the Company's Annual Report within five days of making a request for it, investors may direct complaints to the regional office of ASIC in their State.

6 BUSINESS AND INVESTMENT RISKS

Investment in the shares or unsecured notes of a company usually exposes an investor to the same array of business risks and other risks to which the company is itself exposed. Failure of a company and liquidation of its assets may result in shareholders or noteholders losing part or all of their investment.

CHL's business is exposed to a variety of commercial and other risks, all of which have some potential to affect the future profitability of the Company and to influence both dividends on shares and prices which the Company is able to pay shareholders for honey supplied.

Product Concentration

CHL derives substantial strength from the concentration of its management resources in the packing and marketing of honey supplied by its shareholders, and relies on this activity for a significant proportion of its profitability. Any event or circumstance which reduces the supply or demand for honey in Australia or overseas, or restricts CHL's access to markets may have a material effect on the profitability of the Company.

Market Concentration

The retail grocery market in Australia is dominated by a small number of powerful groups, who between them, account for the majority of annual retail grocery sales. The consequent concentration of buying power can be a disadvantage to CHL.

Price Competition

Price competition is common and often aggressive at both wholesale and retail levels of the domestic market. In the generic and house brand retail product market and the industrial honey market, competition is almost exclusively on a tendered price basis, and consequently, margins are often low.

Product Contamination

Adverse publicity resulting from product contamination or malicious tampering could have serious consequences for the Company and the industry as a whole through reduced demand for honey. Any residues of chemicals or other unnatural substances in local or overseas honey could restrict the markets in which such honey could be sold or render the honey unacceptable to consumers in any market. Contamination could result in a product recall at considerable cost to the Company and threat to future business.

Low Barriers to Entry

Australia's annual honey production usually exceeds domestic demand and much of the surplus is exported onto the world commodity market, often at unattractive prices. Consequently, there is usually an adequate supply of surplus honey available to potential new entrants to the domestic market.

Overseas Activities

CHL is increasing its business overseas, and in conjunction with other entities in various countries. There are risks inherent in doing business on an international level. To the extent that it is a party to joint ventures and reliant on third parties CHL may be subject to the effect of their partners business practices and strategic decisions. The Company may also be subject to any change in economic or political conditions in another country.

Industrial Action

CHL has a good record of harmonious relationships with employees and unions, and has entered into enterprise agreements with factory employees at both packing plants. However, industrial action such as strikes, black bans, or secondary boycotts, whether originating in the Company's workforce or elsewhere, could disrupt business and adversely affect results.

Government Action

Economic, regulatory or taxation policies of government in Australia and protectionist policies and other actions by governments in countries where CHL exports are sold may influence future profitability.

Consumer Perceptions

Australian consumers traditionally regard honey as a natural, healthy food product. However, it should be recognised that changes in lifestyles and eating habits could affect future demand.

Bulk Export Sales

With the exception of the two financial years to 30 June 2004, the total annual quantity of honey supplied to CHL has generally exceeded the quantity required to satisfy demand for domestic market retail products and industrial honey and value added retail packed exports. Consequently, the Company has been a consistent exporter of bulk honey onto the world commodity honey market.

During the past five years, annual bulk honey exports have varied between 1,290 tonnes and 4,834 tonnes, with an average of 2,330 tonnes.

The net value in Australian dollars of bulk honey exports is subject to wide variations resulting from movements in export market prices (usually quoted in US dollars) and the exchange rate value of the Australian dollar against the US dollar and other currencies.

Variations in price, exchange rates and market conditions are outside the control of CHL and can have a significant effect on profits and prices paid for honey purchased.

Overseas Conditions

Any outbreak of hostilities, may have an effect on global economic conditions (in addition to the Company's direct export performance.) This may have an adverse effect on the Company's financial performance.

7 CAPILANO DEPOSIT FUND - UNSECURED NOTES

7.1 General Information

Terms Available

<i>At Call</i>	24 hours notice of withdrawal
<i>Fixed Terms</i>	three months
	six months
	twelve months
	twenty-four months
	thirty-six months

Variation of Interest Rates - The Company reserves the right to increase or decrease, during the currency of this Prospectus, all or any of the rates of interest on the Unsecured Notes. In doing so, the Company has adopted ASIC Class Order 00/174 "Debenture Prospectuses: Updating of Interest Rates and Term Information", issued on 15 February 2000. In adopting the ASIC Instrument, the Company has declined to specify the interest rates in the Deposit Application Form and Deposit Form accompanying this Prospectus. (Refer to Section 7.5 for full particulars of the provisions relating to variation of interest rates).

Interest Payments - At Call Deposits - interest is paid or credited at the end of each calendar quarter or on redemption. Fixed Term Deposits - interest is paid or credited three monthly or on redemption. (For full details refer to Section 7.8).

Security - Deposits in the CDF are not secured by any assets of CHL. Depositors rank equally with all other unsecured creditors.

Maximum Value of Deposits - The Directors have determined that the maximum total value of deposits in the CDF will be \$4 million.

Gearing - If the maximum value of deposits under Prospectus No.12 had been reached at 30 June 2004 (i.e. \$4 million) Total External Liabilities (as defined in Section 9.9) would have been equal to 67.06% of Total Tangible Assets (as defined in Section 9.9) based on the balance sheet of the Company as at that date.

Maximum Gearing - The Trust Deed prohibits CHL from accepting deposits or undertaking borrowings which would result in Total External Liabilities exceeding an amount equal to 75% of Total Tangible Assets.

Credit Rating - CHL and its securities are not rated by a recognised credit rating authority.

The Trustee - The Trustee for Depositors is Trust Company of Australia Limited. The Trustee does not guarantee the repayment of the Unsecured Notes offered under this Prospectus, the interest thereon, or any particular rate of return or performance by CHL of its obligations under the Trust Deed. The sole involvement of Trust Company of Australia Limited has been reviewing the text under the heading "Capilano Deposit Fund - Unsecured Notes" in Section 1.5 and this Section 7 and under the heading "Trust Deed" in Section 9.9 of the Prospectus to satisfy itself that the text is consistent with the terms of the Unsecured Notes or debentures (if issued) or with the relevant Trust Deed.

Trust Company of Australia Limited does not make or purport to make any statement in the Prospectus, has supplied no information for this Prospectus and makes no representation or warranty, express or implied, as to the accuracy or completeness of any information contained in this Prospectus.

7.2 New Deposits

All new deposits must be made on a purple Deposit Application Form accompanying and forming part of this Prospectus.

Depositors wishing to make further deposits into an existing at call deposit must complete a blue Deposit Form accompanying this Prospectus.

Depositors requiring to make regular deposits into an existing at call deposit must complete a green Regular Deposit Form accompanying this Prospectus.

Cheques accompanying a Deposit Form should be crossed and marked "Not Negotiable" and made payable to Capilano Honey Limited. A separate Deposit Form is required for each deposit.

7.3 Borrowing Limitations

Details of the provisions in the Trust Deed relating to borrowing limitations are set out in Section 9.9.

7.4 Nature of Deposits

Deposits will be represented by Unsecured Notes issued under the terms of the Trust Deed. The Trust Deed and the Law define the main obligations of the Trustee. Other obligations may arise under general law.

The Trust Deed requires the Company to furnish to the Trustee half yearly financial statements, annual auditors' reports and quarterly Directors' certificates and reports and is required by the Trust Deed to make punctual payment to the Depositors of all principal and interest falling due in respect of their deposits. The Trustee is bound to comply with the duties imposed on it by the Law and to exercise reasonable diligence to ascertain from material furnished to it under the Trust Deed whether or not the Company or any guarantor has committed a breach of any of the covenants, obligations, conditions or provisions relating to the Unsecured Notes or contained in or imposed by the Trust Deed. The Trustee represents the Depositors in dealings with the Company and determines whether to enforce and, if appropriate, does enforce on behalf of all Depositors the Company's obligations in respect of the Unsecured Notes.

The Depositors have the benefit of a Trustee to represent them collectively.

Depositors may not individually proceed against the Company if the Trustee has determined to take action on behalf of them all.

In the case of winding up of CHL, Unsecured Notes will rank (apart from any priorities created by law) equally with amounts owing to all other unsecured creditors of the Company but before distributions to shareholders.

The Trust Deed prohibits the Company from issuing Unsecured Notes or creating any other liabilities which would result in Total External Liabilities exceeding an amount equal to 75% of Total Tangible Assets. (Refer to Section 9.9).

Unsecured Notes are not transferable, but on the death of a noteholder the notes may be transmitted to the legal personal representative of the noteholder.

7.5 Variation of Interest Rates

The Company reserves the right to increase or decrease on a monthly basis, during the currency of this Prospectus, all or any of the rates of interest on the Unsecured Notes offered by this Prospectus. In doing so the Company has adopted ASIC Class Order 00/174 "Debenture Prospectus: Updating of Interest Rate and Term Information" issued on 15 February 2000.

In adopting the Instrument, the Company has declined to specify the interest rates in the Deposit Application Form or Deposit Form accompanying this Prospectus on the following conditions:

1. That details of interest rates for the following month will be determined by the end of each month and may be obtained by contacting the Company by telephone (07) 3712 8282, fax (07) 3712 8286 or e-mail honey@capilano.com.au. In addition, the most current details of rates will accompany CHL's Shareholder Newsletter and each copy of the Prospectus.
2. The Company hereby undertakes that if the Deposit Application Form or Deposit Form specifies:
 - a) no interest rate; or
 - b) an interest rate which differs from the interest rate currently offered by the Company for Unsecured Notes of that term and which is not acceptable to the Company.

the Company will:

- c) return the deposit moneys to the Depositor in full, without interest, within 14 days of lodgement; or

- d) (i) forthwith issue an Unsecured Note to the Depositor for the term specified in the Deposit Application Form or Deposit Form at the rate which it currently offers for Unsecured Notes of that term;
- (ii) notify the Depositor that the Unsecured Note so issued will be redeemed if the Depositor gives notice to the Company requiring it to be redeemed within 14 days after the Depositor receives the notification; and
- (iii) on receipt of a notice requiring the Unsecured Notes to be redeemed pay to the Depositor an amount equal to the deposit and interest at the rate applicable to the Unsecured Note calculated from the date on which the Deposit Application Form or Deposit Form was accepted to the date on which the redemption money is sent; or
- e) at its option, return the money as set out in paragraph (c) or follow the procedure set out in paragraph (d).

7.6 Acceptance of Deposits

The Company will acknowledge in writing acceptance of all deposits within one month of lodgement.

The Company reserves the absolute right to refuse any application for Unsecured Notes either in whole or in part.

The Company reserves the right to deduct from principal or interest any taxes or duties applicable to Unsecured Notes issued under this Prospectus, including those arising from receiving the application money, repaying such money or paying interest thereon which the Company has or shall become liable to reimburse to its bankers or pay under any legislation.

7.7 Register

The Register of Depositors will be maintained at the registered office of CHL.

7.8 Interest

Interest is calculated daily from the date of acceptance of a new deposit, or transfer of an existing deposit into the CDF. Interest is to accrue until the due date for payment thereof or in the event of default until paid or the deposit is redeemed.

Depositors are asked on the Deposit Application Form and the Deposit Form to advise the Company of the following alternative interest instructions:

- Interest to be reinvested; or
- Interest to be paid by cheque or EFT.

For at call deposits, interest will be calculated daily, and credited to current balances, or paid by cheque or EFT to the Depositor as requested, after the end of each calendar quarter, (i.e. at the end of March, June, September and December).

For all term deposits, interest will be calculated daily, and credited to current balances, or paid by cheque or EFT to the Depositor as requested, at the expiry of each three monthly period beginning at the end of the month in which the deposit is made.

7.9 Oversubscriptions

The Directors have determined that the maximum total value of deposits in the CDF will be \$4 million in order to ensure compliance with the unsecured borrowing limitation created by the Trust Deed (Section 9.9 of this Prospectus).

Any deposits which, if accepted, would result in the total value of deposits in the CDF exceeding the limit of \$4 million will be returned to Depositors within 14 days without interest.

7.10 Maturing Deposits

In the case of term deposits the Company will mail to Depositors a notice of imminent maturity approximately two weeks before the date on which the deposits will mature, seeking further instructions.

If no instruction is received as to the disposal of the deposit by the date of maturity it will be automatically matured from that date. The principal will remain at 24 hour call until further instructions are received, and interest will be treated according to previous instructions (i.e. added to principal or paid by cheque or EFT). The interest rate applicable to the 24 hour call deposit will be the rate applying from time to time.

7.11 Rights of Early Redemption of Fixed Term Unsecured Notes

The Company will consider written requests from Depositors faced with unforeseen or exceptional circumstances of hardship for repayment of their deposits prior to maturity. Any decision by the Company will depend upon the circumstances involved and will be at the sole discretion of the Company.

In the event of death of a sole investor, the Company (subject to legislative requirements) will repay to his estate the whole or any part of the deceased's deposits.

A reduced interest rate reflecting the shorter term may apply to the amount repaid in these cases.

7.12 Interest Cover

Interest paid on borrowings for the year ended 30 June 2004 was \$1,414,187 which represents an interest cover ratio of 1.01 on the reduced profit before interest achieved for the year.

Directors are confident sufficient profit will be made in 2004-2005 to cover payment of interest and achieve an improved interest cover ratio.



David J Cranstoun
Yusuf Hussein
Andrew J Cranstoun
John Feddema
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12 October 2004

Cranstoun & Hussein
Chartered Accountants & Business Advisers

The Directors
Capilano Honey Limited
PO Box 66
RICHLANDS QLD 4077

Dear Sirs and Madam

INDEPENDENT ACCOUNTANTS' REPORT

Introduction

This report has been prepared for inclusion in the Prospectus dated 12 October 2004.

Scope of Examination

We have audited the financial statements of the economic entity for the years ended 30 June 2000, 2001, 2002, 2003 and 2004 and expressed an unqualified opinion on each of the financial statements.

Opinion

In our opinion, the historical data presented in the Prospectus in Section 5.1 is consistent with the audited financial statements from which the information was derived. For a better understanding of the results and financial position the summarised information should be read in conjunction with the audited financial statements for the year ended 30 June 2004, which are referred to in Section 5.3 and are available upon request.

Subsequent Events

To the best of our knowledge and belief, there have been no material items, transactions or events subsequent to the balance date of the latest audited financial statements which require adjustments to this report or which would cause reliance on this report to be misleading.

Disclosure

Cranstoun & Hussein have no pecuniary interest that could reasonably be regarded as being capable of affecting their ability to give an unbiased opinion in this report. Cranstoun & Hussein will receive a professional fee for the preparation of this report. Cranstoun & Hussein and their principals do not hold or have any interest in the Company except as auditors, independent accountants and tax agents of the Company.

Yours faithfully

Cranstoun & Hussein

CRANSTOUN & HUSSEIN
Chartered Accountants

a.j. Cranstoun

A J Cranstoun
A Member of the Firm

9 SIGNIFICANT DOCUMENTS AND MATERIAL INFORMATION

The Directors are of the opinion that certain agreements and associated information are significant to this Prospectus or may be relevant to potential purchasers of shares and Depositors in CHL.

9.1 Inspection of Significant Documents

A copy of each of the agreements (subject, as described below, to confidentiality obligations and matters of commercial sensitivity) and associated information, the Constitution, and the Consents referred to in Section 10.1 will be available for inspection without charge between 9.00a.m. and 5.00p.m. at the office of CHL, 399 Archerfield Road, Richlands Q 4077, for a period of thirteen months after the date of lodgement of this Prospectus with ASIC. The Directors have deleted some confidential information from the material contract referred to in Section 9.5, which in their view would be immaterial to an investment decision. The information censored is, in the Directors' opinion, confidential and as a result its disclosure to the public may unreasonably prejudice the business of the Company.

In the opinion of the Directors, the information removed from material contracts is not information that investors and their professional advisers would reasonably require, and reasonably expect to find in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profit and loss, and prospects of CHL.

9.2 Constitution

Restriction on shareholdings

No person shall have a relevant interest in more than 10% of the shares on issue in CHL. For the purpose of this prohibition, the Foundation Share is not considered in calculating whether the 10% limit has been exceeded.

The directors must not register any transfer of shares if the transfer would result in the transferee having a relevant interest of more than 10% of issued capital of the Company. If the directors refuse to register a transfer of any shares they must within 2 months after the date on which the transfer was lodged send to the transferee a notice of the refusal.

Lien

The Company has a first lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a shareholder's shares. The lien or charge also extends to all dividends declared in respect of the shares.

Alteration of rights

The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Voting rights

Each shareholder has the right to receive notices of, and to attend, general meetings of the Company.

Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any restrictions imposed by the *Corporations Act*, the shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held. Voting may be in person or by proxy, attorney or representative.

Foundation Share

One Foundation Share is currently on issue. The Foundation Share may only be held by the Foundation Shareholder which is Capilano Beekeepers Limited.

The Foundation Shareholder is entitled to receive notice of, attend, speak and vote at any general meeting of the Company.

The Company may not pass any ordinary resolution without the affirmative vote of the Foundation Shareholder.

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.

The Foundation Share confers 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 on an equal footing with other members entitled to share in a distribution of capital in a winding up.

General meetings

An annual general meeting of the Company shall be held in accordance with the provisions of the Law. All other meetings of the Company are called general meetings. Any director may call a general meeting at their discretion.

Subject to the Law, 21 days' notice, specifying the place, the day and the time of meeting and in the case of special business the general nature of that business and any other matters required by the Law, shall be given to such persons as are entitled to receive such notices from the Company.

Proceedings at general meetings

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. The Foundation Shareholder, and ten members present in person constitute a quorum. Member includes a person attending as a proxy or a representative of a member that is a corporation for the purposes of a quorum.

Directors

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

This means that while 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.

All the directors in office acting jointly can appoint Independent Directors. Each Independent Director can 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.

A person appointed as an Independent Director must have the skills and experience appropriate to the Company's needs but is not to be a supplier of honey to CHL nor an employee or customer whilst occupying the position of Independent Director.

If there ceases to be a Foundation Share, the directors continue to hold office, unless otherwise removed in accordance with the Constitution, until the next annual general meeting at which they must retire.

There are to be no less than 5 and no more than 8 Directors on the Board and all Directors are required to be natural persons.

The Board shall comprise Beekeeper Directors, Independent Directors and may include a Managing Director. The number of Beekeeper Directors must always exceed the combined number of Independent Directors and the Managing Director by at least one. The number of Beekeeper Directors shall not be less than 3 nor more than 5 and the maximum number of Independent Directors is 3.

The total amount of directors' fees payable must from time to time be determined by the Company in general meeting and may be divided amongst directors at their discretion. Directors' fees are deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or in connection with the business of the Company.

Powers and duties of directors

The business of the Company is to be managed by the directors, who may pay all expenses incurred in promoting and registering the Company, and exercise all powers of the Company as are not, by the Law or by the Constitution, required to be exercised by the Company in general meeting.

Proceedings of directors

The directors meet together for the despatch of business and otherwise regulate their meetings as they think fit provided that a meeting of the directors in person is held at least 6 times per year at intervals of approximately 2 months. The directors may at their discretion hold additional meetings.

Financial reports

The directors must ensure proper financial and other records are kept and must distribute copies of reports as required by the Law. The directors may determine the circumstances under which the company financial records are to be accessible for inspection by members.

Dividends and reserves

The directors may from time to time determine that a dividend is payable to shareholders. The dividend is generally payable on all shares in proportion to the amount of total issue price paid up in respect of the shares. The dividend may be paid at a rate per annum in respect of a specified period provided that no amount paid on a share in advance of calls is to be treated as paid on that share.

The directors may from time to time pay interim dividends if it appears to the directors that the payment is justified by the profits of the Company.

Amendments to the Constitution

Subject to the Law, the Company may by special resolution amend the Constitution.

If the Law or any declaration or exemption from the provisions of the Law granted by ASIC requires that this Constitution contain certain provisions, then those provisions:

- (a) are deemed to be incorporated into the Constitution to the extent they are required to be included; and
- (b) prevail over any other provisions of this Constitution to the extent of any inconsistency.

While the Company is admitted to the official list of the BSX:

- (a) if the Listing Rules prohibit an act being done, the act is not to be done;
- (b) nothing contained in this Constitution prevents an act being done that the Listing Rules require to be done; and
- (c) if any provision of this Constitution is or becomes inconsistent with the Listing Rules, this Constitution is deemed not to contain that provision to the extent of the inconsistency.

subject to the terms on which the Company may have been admitted to the official list of any approved stock exchange.

Partial takeover bids

The Company may prohibit registration of transfers purporting to accept partial takeover bids unless and until a resolution of the Company has been passed approving the offers in accordance with the provisions of the constitution.

Indemnities

The Company must indemnify current and past Directors, secretaries and executive officers of the Company against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, director, secretary or executive officer, other than a liability owed to the Company or a related body corporate of the Company or a pecuniary penalty order or compensation order or where the liability does not arise out of conduct in good faith. Indemnities also apply to employees in circumstances designated under the constitution.

Insurance

The Company may also pay insurance premiums for officers and employees in certain designated circumstances but not where the liability arises out of wilful breach of duty to the Company or an improper use of position or inside information, as prohibited by the *Corporations Act*.

Availability of this Constitution

A copy of the Constitution is available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus.

9.3 Honey Supply Agreement

The main purposes of this agreement are to provide CHL with an assured supply of honey in varieties, grades and quality to satisfy demands of its customers and to provide its Australian supplier shareholders with the security of a reliable buyer for their honey.

Under this agreement, the Company agrees to purchase and the shareholder agrees to supply its annual quota provided such honey can be sold by the company on the Australian domestic and/or export market, and such honey complies with quality standards established by law or by CHL.

Neither party will be in breach of its obligations under this agreement where it is prevented from buying or selling, or producing and supplying the honey (as applicable) through any cause beyond the parties' reasonable control.

Prices to be paid by CHL for honey supplied in any year up to the annual quota shall be at prices determined from time to time by the company taking into account the selling prices obtainable on the domestic and export market, and the proportions of various grades of honey expected to be sold into each market. These prices are subject to change without prior notice and CHL will inform a shareholder in writing of any changes as and when they occur.

The shareholder agrees not to purchase or otherwise acquire honey from any other person for supply to the company. The total amount of honey required by the Company ('Quota') shall be fixed by the Board and reviewed annually and any portions of annual Quota relinquished by or withdrawn from shareholders may be reassigned at the discretion of Directors. The company may agree to purchase from a shareholder any quantity of honey in excess of that shareholders' annual Quota at a price agreed prior to delivery.

The shareholder is required to declare at the date of execution of the agreement, the number of productive hives used to produce honey for supply under the agreement. The shareholder agrees to inform CHL in writing if any future change in the ownership of hives from which honey is supplied. The shareholder agrees to purchase and hold shares in the company in accordance with the shares to hives ratio determined from time to time by the company.

Delivery of honey shall be in accordance with this agreement, which includes being accompanied by the relevant documentation, in containers of such materials type and size as specified, and comply with weight requirements and on arrival shall be sampled at CHL's factory, and such details be included in a monthly statement to shareholders.

Delivery of honey in excess of a shareholders monthly delivery quantity shall not be made without prior approval by the company. Title to and ownership of the honey shall pass to the company on delivery to a company factory or depot.

The shareholder agrees to support CHL's quality assurance policy, which has the objective of ensuring that the Company's products and services always fulfil the expectations of those who purchase or use them. The shareholder warrants that all honey supplied shall be natural honey, and shall be produced, extracted and stored in accordance with guidelines contained in the Company's 'Reference Manual for Honey Extracting Facilities and Food Safety Program', and any additional quality standards notified by the Company. The shareholder agrees to co-operate in a quality audit if requested.

The shareholder agrees that an amount not exceeding 5% of the amount payable by the company for honey supplied can be deducted from each payment to shareholders and retained by the company for not longer than 5 years commencing at the end of each financial year in which deductions were made. These sums constitute a loan by the shareholder to the company, on which interest may be paid at a rate decided by the Directors of the company. These loans are recorded in a monthly statement together with interest and accumulative balance of the amount of retains held to the shareholders account.

CHL can reject or buy at a reduced price honey which does not comply with prescribed quality standards. At its election CHL may require that rejected honey be retrieved by the shareholder at the shareholder's expense. In the event the honey is contaminated or breaches a food regulation or health standard, it may be destroyed at the direction of a regulatory authority. The shareholder may be required to pay for the costs of destruction.

CHL agrees to accept delivery up to a maximum of 8 drums in any one month from shareholders with annual quotas of not more than 21,240kgs provided that not more than one third of annual quota is delivered in any period of 3 consecutive months. The agreement is to continue until terminated by 28 days written notice from either party.

This section should be read in conjunction with Section 9.4.

9.4 Honey Quota

CHL reviews the total quota issued on an annual basis for the purpose of:

- a) matching honey supply in line with market demand;
- b) ensuring contracted shareholder deliveries closely resemble their average production;
- c) facilitating the movement of quota via a 'quota pool' from Supplier Shareholders reducing their beekeeping activity to those beekeepers increasing their production;
- d) facilitating the entry of new suppliers who wish to become contracted shareholders.

Quota Categories

Applications for quotas in these categories are considered at an annual review in July/August of each year. All contracted shareholders are subject to an annual quota review, however, no reduction in quota is made without prior discussion and negotiation.

Contract shareholders seeking an increased quota

To participate in future allocation of quota from the quota pool, a shareholder will need to hold sufficient shares to meet the correct shares to hives ratio - the current ratio being 16 shares per hive, and/or undertake to purchase additional shares, have filled their existing quota consistently over a 3 year period, be able to demonstrate an ability to fill an increased quota allocation and satisfy the quality conditions of their Honey Supply Agreement.

Contracted shareholders expanding their operations

To participate in future allocation of quota from the quota pool, a shareholder will need to hold sufficient shares to meet the correct shares to hives ratio and/or undertake to purchase additional shares and provide evidence of an ability to supply to the level of quota allocated.

Suppliers applying for an initial quota

Applicants seeking Board approval for an initial quota are required to complete a Share Application form, Honey Quota Application form and Quality Assurance Questionnaire. Approved applicants are issued one share on receipt of a signed Honey Supply Agreement, wherein they agree to undertake to purchase additional shares to meet the correct shares to hives ratio and satisfy the required quality conditions.

Shares-to-hives Ratio

To comply with the shares-to-hives ratio, additional shares should be purchased on the BSX. This Section should be read in conjunction with Section 9.2.

9.5 Allowrie Trade Mark Licence Agreement

The material provisions of the agreement dated 20 March 1995 with Bonlac Foods Limited are summarised below:

- a) Bonlac grants to CHL an exclusive, royalty-free irrevocable licence to use the Trade Mark "Allowrie" on or in relation to honey products anywhere in the world.
- b) The rights of the licensee are personal to CHL and cannot be sold, transferred, mortgaged or encumbered by CHL.
- c) CHL agrees to use the Trade Mark in the form in which it is spelt or drawn for the purpose of registration.
- d) CHL agrees that honey sold by it under the "Allowrie" Trade Mark shall be of the highest quality and standard.
- e) CHL undertakes to maintain adequate product liability insurance policies in respect of products sold under the Trade Mark.
- f) Bonlac may terminate the agreement if CHL becomes insolvent or commits a material breach of the agreement which it does not remedy within ninety days of receiving written notice from Bonlac.

In June 2003 Bonlac Foods Limited assigned the Allowrie Trade Marks and Trade Mark Licence Agreement to Fonterra Finance Corporation Limited, a member of the Fonterra Co-Operative Group of New Zealand.

CHL has entered into a Trade Mark Licence Agreement with Fonterra Finance Corporation Limited on the same terms and conditions as the Agreement with Bonlac Foods Limited.

9.6 Capilano Labonté Inc.

CHL acquired a fifty percent interest in Capilano Labonté Inc. ("CLI") by purchasing shares and by subscribing for additional capital. CLI's headquarters are in Victoriaville, Quebec, Canada and it is incorporated under Canadian Law.

CHL's Directors, Messrs B. J. Ballantyne and R D Masters, are Chairman and Vice President of CLI respectively.

CHL has entered into inter-company loans to support the development of CLI's business in North America.

CHL has the right to sell all of its shares in CLI to Miel Labonté Inc, who must buy them at the lesser of the original contributed share capital or the book value of the shares.

9.7 Joint Venture with HoneyMax s.a. (Argentina)

The purpose of this joint venture is to use CHL's expertise and equipment and HoneyMax s.a's ability to source honey to supply high quality bulk honey to export to markets throughout the world.

Separate agreements are in place covering:

- a) Marketing - for the joint venture to use its best endeavours to develop and enhance export markets, throughout the world.
- b) Equipment Sale - for CHL to sell to HoneyMax s.a. equipment for processing honey.
- c) Management - for HoneyMax s.a. to supply and prepare honey for the export markets in return for which a management fee is payable to HoneyMax s.a.

The Agreements provide for CHL to withdraw from the joint venture in certain specified circumstances, including the inability of HoneyMax s.a. to supply honey as required.

9.8 Medihoney Executive Option Plan

Options over unissued shares of a controlled entity, Medihoney Pty Ltd granted to the directors and executive officers of the company and economic entity as part of their remuneration are as follows:-

	Options Granted
R D Masters	200,000
A P Moloney	200,000
R B Eustace	60,000
P McDonald	50,000
Total Options Issued	<u>510,000</u>

The options have been issued over ordinary shares of Medihoney Pty Ltd at no consideration under an Executive Option Plan. The options vest progressively between three (3) and five (5) years after the date of issue and may be exercised at \$1 per share up to 30 June 2007 subject to the occurrence of specified future events and performance requirements. No options have been exercised at the date of this Prospectus. The number of issued shares in Medihoney Pty Ltd at 30 June 2004 was 6,000,000 all of which are owned by CHL.

No option holder has any right under the option to participate in any other share issue of the Company or of any other entity.

9.9 Trust Deed

Unsecured Notes offered pursuant to this Prospectus will be issued under a Trust Deed dated 17 May 1993 between the Company and Trust Company of Australia Limited. Key provisions and definitions contained in the Trust Deed are set out below. The Trust Deed contains the following definitions:

'*Total External Liabilities*' means the aggregate of all secured and unsecured liabilities of the Group (as disclosed by the latest Audited Consolidated Balance Sheet prepared prior to the Determination Date) as adjusted by the Auditor in accordance with the Trust Deed.

'*Total Tangible Assets*' means the aggregate of the book values of the Tangible Assets wherever situated of the Group (as disclosed in the latest Audited Consolidated Balance Sheet prepared prior to the Determination Date) as adjusted by the Auditor in accordance with the Trust Deed.

'*Balance Sheet Date*' means the date as at which the latest duly audited balance sheets of the Company were made up prior to the Determination Date.

'*Consent*' means a consent of the Trustee given pursuant to the Trust Deed.

'*Determination Date*' means the date as at which the amount of the Total Tangible Assets of the Group and the Total External Liabilities of the Group are computed.

'*Encumbrance*' means any mortgage, pledge, charge and any other security agreement or arrangement except liens arising by operation of law and in the ordinary course of business;

'*Group*' means the Company and its Subsidiaries;

'*Group Member*' means the Company or any Subsidiary;

'*Investments*' means Unsecured Notes (and/or Debenture Stock);

'*Limitations*' means the borrowing limitation contained in the Trust Deed;

'*Outstanding Moneys*' means the aggregate of:

- the principal, premium (if any) and interest moneys in respect of Investments (other than Security Stock) from time to time payable to or at the direction of the Trustee or to Investors pursuant to this Deed or the terms of issue of any of the Investments;
- the sum of Actual Security Moneys and Contingent Security Moneys in respect of Security Stock; and
- all other moneys from time to time payable to or at the direction of the Trustee pursuant to this Deed;

'*Redemption Date*' means the date upon which an Investment should be redeemed in accordance with its terms of issue independently of the Trustee exercising any option pursuant to the Trust Deed.

Acknowledgment of Debt

The Company acknowledges its indebtedness to the Trustee in respect of the Outstanding Moneys.

Ownership of Investment

The Investors are to be regarded as beneficial owners of the Investments respectively held by them.

Company to Pay Principal and Interest

Subject to the Trust Deed, the Company covenants with the Trustee that:

- as and when the Investments are to be redeemed or paid off in accordance with the relevant terms of issue, the Company will pay to the Trustee the amount of principal and premium (if any) to be so redeemed or paid off and will comply with its obligations in relation to those Investments in such manner as the Trustee may request; and
- that the Company will until all the Investments shall have been redeemed or paid off pay to the Trustee interest thereon at the rate (if any) fixed by and in accordance with the terms of issue of the Investments.

Dealings with Investors

The Company shall, unless and until the Trustee requests the Company to make payments or otherwise redeem Investments, make all payments of principal, premium (if any) and interest (if any) to or redeem in favour of, the Investors.

Investment Beyond Date Fixed for Redemption

The Company may determine provisions in relation to cessation or suspension of accrual of interest provided that interest shall cease to be payable from the Redemption Date subject to certain provisos.

General Covenants

The Company covenants with the Trustee that it will, inter alia, so long as any Investment is outstanding:

- comply with all requirements of the Law and all other relevant statutory requirements in relation to filing of reports and registration of Encumbrances and keeping open registers for inspections and all other matters;
- perform all the relevant covenants, obligations and conditions contained in this Deed and any Encumbrance howsoever ranking;
- furnish to the Trustee copies of all reports, accounts and other documents sent to shareholders, investors or ASIC;
- notify the Trustee of any event of default referred to in the Trust Deed;
- convene a meeting on requisition of Investors holding not less than 10% in nominal value of the outstanding Investments to consider the latest audited balance sheets and profit and loss accounts of the Company and/or the Group and to give directions as to the exercise of the Trustee's powers;
- notify the Trustee where certain assets are removed or business commenced in any place where the Trust Deed is not stamped and/or registered;
- permit the Auditor to have reasonable access to records of the Group and provide necessary explanations to the Auditor;
- give the Trustee notice of appointment, retirement, resignation or removal of an Auditor;
- give notice to the Trustee should the net tangible asset value per share in the Company or the Group be or become less than 80 cents.

Issue and Redemption of all Investments

An Investment may be issued from time to time in any amount upon such terms as set out in the Trust Deed and approved by the Trustee.

The Company may issue Investments with early rights of redemption. The Company may purchase any Investment. The Company has power to reissue Investments.

Issue, Procedure and Format of Certificates

Investments must not exceed the amount stated in any Consent provided by the Trustee under the Trust Deed.

Should the Company wish to obtain a Consent it must provide notice, an Auditor's Report and a Directors' Certificate to the Trustee.

The Trustee shall within 14 days of receipt of an Auditor's Report or other documentation notify the Company of the maximum amount of Unsecured Notes which may be issued within a relevant period.

The Trustee may cancel Consent in certain circumstances. A Certificate evidences proper issue of a Note.

The Company shall issue to each Investor acknowledgment of indebtedness within 2 months after the receipt of an application for any Investment.

An Investment issued under the Deed is subject to conditions in the Deed.

Unsecured Borrowing Limitation

The Company will not at any time borrow any money or incur any liability if Total External Liabilities exceed or would exceed 75% of Total Tangible Assets.

The Deed contains exceptions to the limitations which apply when the issue is made for the purpose of repayment or redemption of Investments or for the repayment of an existing liability.

Accounts and Reports

The Company shall furnish to the Trustee audited yearly and half yearly accounts. Such half yearly accounts do not need to be audited in certain circumstances.

The Company shall furnish to the Trustee quarterly Directors' Certificates and Reports showing the total amount of the Issued Unsecured Notes and certifying whether all principal and interest due and payable, has been paid in respect of all Investments and Encumbrances.

The Trustee may require approved valuations in relation to any asset of the Company or the Group in certain circumstances.

Events of Default

Upon the occurrence of any of the following events, in the case of all Investments (i.e. Unsecured Notes and any Debenture Stock), the Outstanding Moneys shall on the giving of notice in accordance with the Trust Deed by the Trustee become immediately due and payable if:

- the Company fails to pay principal or premium (if any) in respect of any Investment within 14 days after it becomes due and payable;
- a Group Member fails to pay interest or other moneys (except principal and premium) due and payable within 14 days after it becomes due and payable (in the case of interest) or the Trustee has made demand requiring the same to be paid to the Trustee (in any other case);
- an order is made or a resolution is passed for the winding up of a Group Member or a Group Member is struck off the Register of Companies provided that this clause shall not apply where the winding up is for the purpose of reconstruction or amalgamation and the prior consent of the Trustee has been obtained or the Investors have consented by Extraordinary Resolution.
- either:
 - ~ a Receiver, official manager, provisional liquidator or liquidator is appointed in respect of a Group Member or any of the assets or undertaking or any part thereof of a Group Member;
 - ~ any Encumbrancee takes possession of any of the assets or undertaking or any part thereof of a Group Member; or
 - ~ any Encumbrancee enforces his Encumbrance against any of the assets or undertaking or any part thereof of a Group Member; or
- any unsecured financial accommodation afforded to a Group Member in excess of \$250,000 becomes due and payable for whatever reason and such Group Member fails to make repayment within 14 days after demand in writing for payment has been duly made;
- any distress or execution in excess of \$250,000 is levied or enforced or against the Mortgaged Property and is not satisfied within 14 days or such longer period as the Trustee may allow;
- default is made by a Group Member in the performance or observance of any covenant, condition or provision of the Trust Deed and if such default is capable of remedy such default is not remedied within 14 days;
- if a Group Member suspends payment of its debts or is unable to pay its debts within the meaning under the Law or without the prior consent of the Trustee ceases to carry on its business or threatens so to do, unless such business of such Group Member is continued by another Group Member;
- a Group Member without the prior consent of the Trustee enters into any arrangement, assignment or composition with its creditors or any class thereof;
- a Group Member without the prior written consent of the Trustee reduces or attempts to reduce its capital **PROVIDED HOWEVER** that this shall not apply in respect of a redemption of any redeemable preference shares in the capital of a Group Member;
- a Group Member offers for sale, sells, alienates, assigns, leases, transfers, charges, encumbers, parts with possession or otherwise disposes of the whole or a substantial part of its undertaking without the prior consent of the Trustee **PROVIDED** that this shall not apply to a sale or parting with possession by a Group Member if there is furnished to the Trustee a Directors' Certificate and a report by the Auditor prepared in accordance with the Trust Deed;
- without the prior consent of the Trustee a Group Member convenes or holds a general meeting of its members for the purpose of passing a resolution pursuant to section 188(2) of the Law;
- a special resolution is passed for the purpose of placing a Group Member under official management in the manner provided by Part 5.3 of the Law;
- a Group Member (within 30 days of a demand by the Trustee) fails to carry out or comply with:
 - ~ any undertaking given by such Group Member to the Trustee;
 - ~ any condition imposed in any consent given by the Trustee to the doing or omission of any act, matter or thing; or
 - ~ any condition imposed by the Trustee and accepted by such Group Member in respect of the exercise by the Trustee of any power or discretion.
- the Directors of the Company request the Trustee to appoint a Receiver over the Mortgaged Property;
- without the prior consent in writing of the Trustee, a Group Member makes or proceeds to attempt to make any alteration in or amendment to the provisions of its Constitution which may in the reasonable opinion of the Trustee detrimentally affect the interests of the Trustee or Investors under this Deed;

- if the Company's shares are not listed on a Stock Exchange, any one or more of the following events occurs without the prior written consent of the Trustee:
 - ~ the registration of the transfer of any share or stock;
 - ~ any dealing with the beneficial interest in any share or stock;
 - ~ the issue or allotment of any new share or stock; or
 - ~ any other action,
 and as a result the persons who together beneficially hold or control more than fifty (50%) of the voting, income and capital participation rights in the Company thereafter hold less than that percentage of the voting, income and capital participation rights in the Company;
- without the prior consent in writing of the Trustee, a Group Member substantially changes the nature of its business;
- an inspector is appointed to investigate the affairs of a Group Member under the provisions of the Law ;
- the net tangible asset value per share in the Company or the Group is or becomes less than 80¢ and Investors by ordinary resolution support the Trustee enforcing the Charges (if any) and require that the Outstanding Moneys in respect of the Investments become immediately due and payable;
- if the Trustee on reasonable grounds is of the opinion (and notifies the Company in writing accordingly) that the financial or other circumstances of the Company or the Group are such that in order to better protect the interests of the Investors (without being under any obligation or responsibility to do so) and to ensure that Investors are reasonably likely to obtain payment in full of all Outstanding Moneys or to reduce any loss Investors may suffer (as the case may be), it is prudent to (and the Trustee does) deem an event of enforcement to have occurred;

The Deed provides for other special events of default.

Limitations on Trustee's Responsibility

The Trustee's responsibility is limited under the Deed including not being responsible for acting upon any resolution of Investors or being responsible for moneys subscribed by any Investor or notifying the Investors of any event of default or contravention or non-observance of the Deed.

The Trustee is required to comply with duties imposed on it under the Law and shall exercise reasonable diligence in view of information made available to it pursuant to the Deed.

The Trustee may rely on and accept as conclusive and sufficient a Directors' Certificate and other information contained in books and accounts of the Company and certain other material.

Trustee's Fees and Expenses

The Trustee's fee for 2003/2004 which has been agreed in accordance with the Trust Deed will be \$5,940 (inclusive of GST).

The Company shall pay the reasonable and proper disbursements of the Trustee.

Retirement or Removal of Trustee and Appointment of New Trustee

The Trustee may retire at any time upon giving at least 90 days notice, provided it does not take effect until a new trustee is appointed in accordance with the Deed.

The Company may appoint a new trustee except when a non-Trustee Company is appointed in which case the Investors must approve such appointment. The Company may terminate the appointment of the Trustee in certain circumstances.

New Subsidiaries and Guarantors

New subsidiaries of the Company may have to give guarantees if requested by the Trustee.

Variations to Trust Deed

Variations to the Trust Deed may be made in circumstances where the Trustee concurs with the Company in making any alteration, modification, or addition to the Trust Deed if such alteration, modification or addition is in the opinion of the Trustee:

- made to correct a manifest error or is of a formal, technical or administrative nature only;
- necessary or expedient for the purpose of enabling any class of Investments to be or continue to be listed for quotation on any Stock Exchange;

- necessary for the purpose of enabling or facilitating the issue hereunder of Investments which are expressed to be bearer instruments or instruments payable to bearer;
- necessary or expedient to comply with the provisions of any statute or ordinance or with the requirement of any statutory authority;
- required by or in consequence of or consistent with any amendment to the Law;
- not prejudicial to the interests of the Investors or is considered by the Trustee not to be prejudicial to the interest of the holders of any class of Investments other than holders of a class which has approved or sanctioned the alteration modification or addition by Extraordinary Resolution; or
- approved or sanctioned by Extraordinary Resolution of the Debentureholders, the Noteholders or both (as the case may be) in accordance with the provisions of the Trust Deed in relation to meetings of Investors.

Notice of a proposed amendment to the Trust Deed shall be given to Investors who are given the opportunity for 21 days of requiring early redemption of their Investment if the proposed deed of amendment is executed.

The Deed may be amended where the amendment takes effect prior to redemption of any Investment issued on the terms and conditions of the Deed but there is granted to such Investor additional security (if any) which in the bona fide opinion of the Directors properly compensates such Investors for any derogation in the rights of the Investor consequent upon the making of such amendment as a Directors' Certificate to that effect is given to the Trustee and the amendment is sanctioned by an Extraordinary Resolution of the Investors.

Investors have the right to sue the Company in respect of any default in the redemption or payment of principal, premium (if any) or interest monies on any Investment in certain circumstances but may not do so where the Trustee is enforcing the rights of Investors.

Register of Investments

The Company is not obliged to redeem an Investment until the Investor satisfies various conditions, including tender of any issued Certificate, a written request for redemption and evidence of identify if required by the Company. Interest shall cease to be payable from the date upon which an Investment ought to be redeemed unless default is made by the Company in redeeming such Investment.

The Company shall maintain a principal register of the Unsecured Notes in Queensland. The Investor must notify the Company of any change of name or address. The register will be open at all reasonable times during business hours for inspection by the Trustee and any Investor and persons authorised by them in writing. Subject to the terms of the issue, Investors are entitled to one or more Certificates in relation to the Investments held. The Company will recognise only the Investor whose name appears in the register.

Meetings of Investors

The Trustee or the Company may at any time convene a meeting of Investors. The Trustee or the Company shall convene a meeting of Investors upon a requisition in writing of holders holding not less than 10% in outstanding Investments at the date of lodgement of such requisition.

At any meeting of Investors, Investors present and holding 15% in nominal value of the outstanding investments shall form a quorum.

On a show of hands, every Investor has one vote. On a poll, an Investor is entitled to one vote for every complete \$100 in nominal value of a fully paid up Investment standing in his name. Investors are entitled to appoint proxies, attorneys or representatives as the case may be.

An Extraordinary Resolution is a resolution voted for at a meeting of Investors by a majority consisting of not less than 75% of the votes cast at the meeting or a resolution in writing signed by the holders of not less than 60% in nominal value of the issued Investments or a resolution signed within 3 months of the resolution being put to a meeting of Investors who together with the votes cast at the meeting in favour of the resolution comprise 60% in nominal value of the issued Investments.

The Law also provides for arrangements between a Company and any class of its creditors (under which their rights may be varied) being approved by the Court and a majority of creditors present and voting at a meeting.

Debenture Stock

CHL may pursuant to the Trust Deed give notice that it intends to issue secured debenture stock in addition to the Unsecured Notes. However, the Directors have no intention of issuing secured debenture stock during the life of this Prospectus and the provisions have been included in the Trust Deed merely to give the Board maximum flexibility in future funding of CHL.

10 ADDITIONAL INFORMATION

10.1 Consents and Disclaimers

Each Director has given, and has not withdrawn, written consent to the issue of the Prospectus.

Cranstoun & Hussein has given its written consent to being named as auditors and Independent Accountants to the Company and for the inclusion in this Prospectus of their Independent Accountants' Report in the form and context in which it appears and has not, prior to lodgement of this Prospectus, withdrawn its consent. Cranstoun & Hussein was only involved in the preparation of the Independent Accountants' Report in Section 8 and the disclosures under this heading and the heading 'Interests of Experts'. Cranstoun & Hussein has not authorised or caused the issue of this Prospectus.

McCullough Robertson has given its written consent to being named as Corporate Lawyers to the Company and has not, prior to lodgement of this Prospectus, withdrawn its consent. McCullough Robertson has performed certain work in relation to this prospectus, but has only been involved in the preparation, and authorised the summary of, the Constitution and Significant Agreements in Section 9, and the disclosure under this heading and the heading 'Interests of Experts'. McCullough Robertson has not authorised or caused the issue of this Prospectus.

National Australia Bank has given its written consent to being named in this Prospectus as Bankers to the Company and has not, prior to lodgement of this Prospectus, withdrawn its consent. National Australia Bank has not authorised or caused the issue of this Prospectus.

Trust Company of Australia Limited has given and has not withdrawn its consent to be named in this Prospectus and is named only in its capacity as Trustee for Unsecured Noteholders under the Trust Deed. The sole involvement of Trust Company of Australia Limited has been reviewing the text under the heading "Capilano Deposit Fund - Unsecured Notes" in Sections 1.5 and 7 and under the heading "Trust Deed" in Section 9.9 of the Prospectus to satisfy itself that the text is consistent with the terms of the Unsecured Notes or with the relevant Trust Deed. Trust Company of Australia Limited does not make or purport to make any statement in the Prospectus, has supplied no information for this Prospectus and makes no representation or warranty, express or implied, as to the accuracy or completeness of any information contained in this Prospectus. Trust Company of Australia Limited has not authorised or caused the issue of this Prospectus.

Phillips Fox has given and has not withdrawn its consent to be named in this Prospectus as Lawyers for the Trustee. Phillips Fox has not provided any information for this Prospectus and accepts no responsibility for and makes no representation or warranty, express or implied, as to the accuracy or completeness of, any information contained in it. Phillips Fox has not authorised or caused the issue of this Prospectus.

10.2 Interest of Experts and Advisers

Other than set out below or elsewhere in in this Prospectus, no expert or any firm in which any expert is a partner has, or has had in the two years before lodgment of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, the Company and no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) for services rendered by the expert or the firm in connection with the promotion or as a director of the Company:

Cranstoun & Hussein has acted as Independent Accountant and has performed certain work in relation to due diligence inquiries. The Company has agreed to pay \$2,750 (inclusive of GST) to Cranstoun & Hussein in respect of these services.

McCullough Robertson has acted as Corporate Lawyers to the Company and performed certain work in relation to due diligence inquiries. The Company has agreed to pay \$9,000 (exclusive of GST) to McCullough Robertson in respect of these services.

Phillips Fox has acted as Lawyers for Trust Company of Australia. The Company has agreed to pay \$3,100 (inclusive of GST) to Phillips Fox in respect of these services.

10.3 Interests of Directors

Other than as set out below or elsewhere in this Prospectus:

- i) no Director or proposed Director of the Company and no firm in which a Director or proposed Director of the Company is or was at the relevant time, or has, or has had in the two years before the date of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, the Company;
- ii) no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Directors or proposed Directors of the Company (or to any firm in which he/her is or was a partner) either to induce him/her to become, or to qualify him as a Director, or otherwise for services rendered by him/her or by the firm in connection with the promotion or formation of the Company.

The current level of Directors remuneration of \$379,997p.a comprising \$341,885 for Directors fees and \$38,112 for Superannuation Guarantee Contributions and Directors & Officers Liability Insurance premiums was approved by shareholders at the Annual General Meeting held on 1 October 2004.

Directors I.A. Cane, R. Doherty, D.G. Keith, P.F. McHugh and T.R. Morgan were all parties to Honey Supply Agreements with CHL as at 30 September 2004

Mr B.J. Ballantyne has a consulting arrangement with the company for the provision of business and corporate planning services.

Mr W.B. Wilshire has a consulting arrangement with the Company for the provision of business and corporate planning services.

As at 30 September, the Directors of the Company or their associates have a relevant interest in the following Shares in the Company:

- i) Mr I.A. Cane is a partner in a partnership which holds 24,235 Shares;
- ii) Mrs R. Doherty is a partner in a partnership which holds 13,800 Shares;
- iii) Mr D.G. Keith is a partner in a partnership which holds 57,920 Shares;
- iv) Mr P.F. McHugh holds 34,676 Shares;
- v) Mr T. R. Morgan is a partner in a partnership which holds 13,260 Shares;
- vi) Mr B.J. Ballantyne, Mr R.D. Masters and Mr W.B. Wilshire each hold 1 qualifying Share;
- vii) The R D Masters Superannuation Fund holds 2,000 shares;
- viii) Options over unissued shares in Medihoney Pty Ltd totalling 200,000 have been granted to Mr R D Masters. Details of terms of these options are set out at section 9.8.

10.4 Income Tax & Dividend Policy

The CHL's Constitution prescribes that Directors may from time to time determine that a dividend is payable to the members. Directors also have power to pay interim dividends.

In determining the amount of dividend payable, Directors take into account:

- the importance of retaining a portion of profits to provide funds for operations and to provide for future growth; and
- the need to pay dividends to reward shareholders for their investment in the Company.

As at 30 June 2004 the Company had an accumulated franking account balance of \$2,606,485 based on company income tax paid. This franking account balance can be used to frank future dividends.

Profits retained by the Company after payment of dividends and after taking into account other adjustments will usually be subject to income tax.

No undertaking regarding future dividends is given in this Prospectus.

10.5 Top 20 Shareholding

The 20 largest shareholders of CHL as at 30 September 2004 were:

<u>Name</u>	<u>No. of Shares</u>
Baker Beekeeping Pty Ltd	58,343
D G, L R, J M, H M & K J Keith & M M Mc Crystal	57,920
M A & B K Klingner	56,365
Hughston & Sons Pty Ltd	55,024
E N Peadon	53,600
Gundagai Bee Farms Pty Ltd	51,629
R J & L R Blackwell	42,640
M & M R Nelson	40,000
J T & N R Sloss	38,260
P Mc Hugh	34,676
S G & N Stafa	31,000
R C Tonkin	30,983
Forest Wild Honey	30,735
G J, L J, J L & D A Hughes	28,800
B J & G C Duncan	28,466
R J Michie	28,310
D L Mann & T S Stidiford	26,789
R J & V A Ruge	26,654
Cospar Pty Ltd A/T/F The Fuss Family Trust	26,632
D L Smith	26,200

10.6 The Top 20 Shareholdings of Honey Businesses Supplying CHL

In some beekeeping operations shareholdings are held by various partners. The following list shows the combined shareholdings of the proprietors of each of these businesses, as at 30 September 2004.

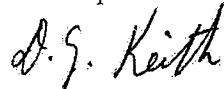
<u>Name</u>	<u>No. of Shares</u>
Klingner's Honey Co	76,629
Gundagai Bee Farms Pty Ltd	66,029
Baker Beekeeping Pty Ltd	58,343
Kabee Apiaries	57,920
Hughston & Sons Pty Ltd	55,024
Hungerford Apiaries	53,600
Barnes Apiaries Pty Ltd	48,400
J W Millington	46,100
R V McHugh & Son	44,276
Macleay Valley Apiaries	42,640
M & M R Nelson	40,000
J T & N R Sloss	38,260
V & P Elliott & Partners	37,098
D J, M J & G E Koerner	34,800
S G, N & M D Stafa	33,480
R C Tonkin	30,983
Forest Wild Honey	30,735
Weerona Apiaries	29,000
Central Murray Apiaries	28,800
Hillview Apiaries	28,800

10.7 Statement by Directors

The Directors report that they have not become aware of any circumstances which in their opinion have materially affected or will materially affect the assets and liabilities, financial position and performance, profits and losses and prospects of CHL or any contingent liabilities of CHL other than those disclosed in this Prospectus.

The Directors have consented to the issue of this Prospectus by CHL and have not withdrawn that consent prior to its lodgement with ASIC.

This Prospectus is dated 12 October 2004.



D G Keith
Chairman



CAPILANO

Honey Limited

ABN: 55 009 686 435

APPLICATION FORM – TO OPEN NEW DEPOSIT ACCOUNT

This form is valid until 11 November 2005 and cannot be used to apply for Unsecured Notes after that date

A) DETAILS OF DEPOSITOR/S:

I/We :

 Street:
 Town/Suburb: State.....
 Postcode: Phone:

ABN:
 TFN:
 or Exemption Details
 If under 16 yrs of age, date of birth must be stated: / /

IMPORTANT

When the account is in more than one name, in the absence of specific advice to the contrary, CHL is authorised to accept directions of any one of the signatories in (F) below to operate the account.

B) hereby offer to deposit with Capilano Honey Limited subject to the conditions on the reverse side of this form the sum of

	<u>TYPE OF DEPOSIT</u>
<u>AMOUNT OF DEPOSIT</u>	A/c no..... if Rollover of maturing deposit []
\$.....AS INDICATED [X] BELOW	Cash/Cheque attached []
(Please note there is no minimum deposit amount)	Transfer from Beekeeper A/c []
	Deduction from wages []
	Transfer of Dividend []
at% interest	Transfer of retains interest/retains returns []
(Please insert interest rate shown on latest advice received by you)	Transfer from CDF Deposit # []

C) TERM OF DEPOSIT

ADDITIONAL INSTRUCTIONS

24 hour call [] 12 months []
 3 months [] 24 months []
 6 months [] 36 months []

(For information about interest rates please refer to the reverse side of this form.)

D) INTEREST

Interest on term deposits is payable every three months, and may be re-invested or paid by cheque or EFT to a nominated bank account. Interest on "at call" deposits is payable at the end of each calendar quarter (e.g. March, June, September and December), and may also be reinvested or paid by cheque or EFT to a nominated bank account. In either case, please tick your choice:

[] Interest to be re-invested [] Please mail cheque [] EFT to bank account

E) CATEGORY OF DEPOSITOR (Please tick where applicable)

Shareholder: []	Staff Member: []
Shareholder's Family: [] (Please state relationship)	Staff Member's Family: [] (Please state relationship)
Former Shareholder: []	Apiculture Industry Association: []

F) SIGNATURE OF DEPOSITOR/S

Signature (s) of Date: / /
 Depositor (s) Date: / /

NOTE: Please ensure Sections A), B), C), D) and E) above are completed.

LODGING YOUR DEPOSIT - There is no minimum deposit amount. Cheques should be crossed, marked "Not Negotiable", and made payable to Capilano Honey Limited and mailed to P.O. Box 66, RICHLANDS QLD 4077. All deposits must be accompanied by this form which forms part of this Prospectus dated 12 October 2004.

CONDITIONS OF DEPOSIT

This Deposit Application Form is part of this Prospectus which is dated 12 October 2004 and must not be issued unless accompanied by the Prospectus.

VARIATION OF INTEREST RATES

The Company reserves the right to increase or decrease on a monthly basis during the currency of this Prospectus all or any of the rates of interest on the Unsecured Notes offered by this Prospectus. In doing so the Company has adopted ASIC Class Order 00/174 "Debenture Prospectus: Updating of Interest Rate and Term Information" issued on 15 February 2000.

In adopting the Instrument, the Company has declined to specify the interest rates in the Deposit Application Form or Deposit Form accompanying this Prospectus on the following conditions:

1. That details of interest rates for the following month will be determined by the end of each month and may be obtained by contacting the Company by telephone (07) 3712 8282 facsimile (07) 3712 8286 or e-mail honey@capilano.com.au. In addition, the most current details of rates will accompany CHL's Shareholder Newsletter and each copy of the Prospectus.
2. The Company hereby undertakes that if the Deposit Application Form or Deposit Form specifies:
 - a) no interest rate; or
 - b) an interest rate which differs from the interest rate currently offered by the Company for Unsecured Notes of that term and which is not acceptable to the Company,
the Company will:
 - c) return the deposit moneys to the Depositor in full, without interest, within 14 days of lodgement; or
 - d)
 - (i) forthwith issue an Unsecured Note to the Depositor for the term specified in the Deposit Application Form or Deposit Form at the rate which it currently offers for Unsecured Notes of that term;
 - (ii) notify the Depositor that the Unsecured Note so issued will be redeemed if the Depositor gives notice to the Company requiring it to be redeemed within 14 days after the Depositor receives the notification; and
 - (iii) on receipt of a notice requiring the Unsecured Notes to be redeemed pay to the Depositor an amount equal to the deposit and interest at the rate applicable to the Unsecured Note calculated from the date on which the Deposit Application Form or Deposit Form was accepted to the date on which the redemption money is sent; or
 - e) at its option, return the money as set out in paragraph (c) or follow the procedure set out in paragraph (d).

MATURITY DATES OF TERM DEPOSITS - All term deposits will be accepted on the basis that they are repayable on the first working day after the end of the month in which they mature e.g. a deposit lodged on 3rd October for a term of three months will be repayable on 1st February. Interest will however be paid for the full term of the deposit. In the example above, interest would be paid at the three month term rate from 3rd October to 31st January, both dates inclusive.

INTEREST PAYMENT PERIODS - TERM DEPOSITS - Interest will be credited at the end of each three monthly period commencing at the end of the month in which the deposit is lodged. In the case of a three month term deposit, interest will be paid on maturity. In the case of six monthly or twelve monthly deposits, interest will either be reinvested at the end of each three monthly period (as defined above), or paid to the Depositor, as directed. In the event that no direction is received as to treatment of interest, it will automatically be reinvested for the balance of the term of the deposit.

ACCEPTANCE OF DEPOSITS - The Company will acknowledge in writing acceptance of all deposits within one month of lodgement and subject to these Conditions of Deposit. The Directors reserve the right to refuse any deposit application at their absolute discretion. Deposits are NON-TRANSFERABLE.

REPAYMENT OF DEPOSITS - The proceeds shall be paid only to the person(s) named in the original deposit application or to his or her personal representative(s), or any person/organisation named by the depositor(s) in writing.

EARLY REDEMPTION - Redemption of deposits before the expiry of their nominated term will be considered only in exceptional circumstances and may incur an early redemption charge.

UNREDEEMED DEPOSITS - A reminder will be forwarded approximately 10 days prior to the maturity date for all deposits.

IF NO INSTRUCTION is received as to the disposal of the deposit by the date of maturity, it will be AUTOMATICALLY MATURED from that date. The principal will remain at 24 hour call until further instructions are received. Interest will be treated according to previous instructions - i.e. either reinvested to principal in the "at call" account, or forwarded by cheque. The interest rate applicable to the 24 hour call deposit will be the rate applying from time to time and is subject to variation monthly.

**THIS DEPOSIT APPLICATION FORM MAY NOT BE ISSUED,
CIRCULATED OR DISTRIBUTED UNLESS ACCOMPANIED BY THIS
PROSPECTUS DATED 12 OCTOBER 2004 OF WHICH IT FORMS PART.**



CAPILANO

Honey Limited

ABN: 55 009 686 435

DEPOSIT FORM

only to be used for adding to an existing AT CALL Deposit
 This form is valid until 11 November 2005 and cannot be used to apply for Unsecured Notes after that date.

A) DETAILS OF DEPOSITOR/S:

I/We :

 Street:
 Town/Suburb: State
 Postcode: Phone:

ABN: TFN: or Exemption Details If under 16 yrs of age, date of birth must be stated: / /
--

B) hereby offer to add to my/our "at call" deposit with Capilano Honey Limited subject to the conditions on the reverse side of this form the sum of

Deposit No.....

AMOUNT OF DEPOSIT

\$.....AS INDICATED [X] BELOW
 (Please note there is no minimum deposit amount)
 at% interest
 (Please insert interest rate shown on latest advice received by you)

TYPE OF DEPOSIT

- Cash/Cheque attached []
- Transfer from Beekeeper A/c []
- Deduction from wages []
- Transfer of Dividend []
- Transfer of retains interest/retains returns []
- Transfer from CDF deposit #..... []

C) INTEREST

Please tick your choice:

[] Interest to be re-invested [] Please mail cheque [] EFT to bank account

D) SIGNATURE OF DEPOSITOR/S

Signature (s) of Date: / /

Depositor (s) Date: / /

NOTE: Please ensure Sections A), B), and C) above are completed.

LODGING YOUR DEPOSIT - There is no minimum deposit amount. Cheques should be crossed, marked "Not Negotiable", and made payable to Capilano Honey Limited and mailed to P.O. Box 66, RICHLANDS QLD 4077. All deposits must be accompanied by this form which forms part of this Prospectus dated 12 October 2004.

CONDITIONS OF DEPOSIT

This Deposit Application Form is part of this Prospectus dated 12 October 2004 and must not be issued unless accompanied by the Prospectus.

VARIATION OF INTEREST RATES

The Company reserves the right to increase or decrease on a monthly basis during the currency of this Prospectus all or any of the rates of interest on the Unsecured Notes offered by this Prospectus. In doing so the Company has adopted ASIC Class Order 00/174 "Debtenture Prospectus: Updating of Interest Rate and Term Information" issued on 15 February 2000.

In adopting the Instrument, the Company has declined to specify the interest rates in the Deposit Application Form or Deposit Form accompanying this Prospectus on the following conditions:

1. That details of interest rates for the following month will be determined by the end of each month and may be obtained by contacting the Company by telephone (07) 3712 8282 facsimile (07) 3712 8286 or e-mail honey@capilano.com.au. In addition, the most current details of rates will accompany CHL's Shareholder Newsletter and each copy of the Prospectus.
2. The Company hereby undertakes that if the Deposit Application Form or Deposit Form specifies:
 - a) no interest rate; or
 - b) an interest rate which differs from the interest rate currently offered by the Company for Unsecured Notes of that term and which is not acceptable to the Company,

the Company will:

- c) return the deposit moneys to the Depositor in full, without interest, within 14 days of lodgement; or
- d)
 - (i) forthwith issue an Unsecured Note to the Depositor for the term specified in the Deposit Application Form or Deposit Form at the rate which it currently offers for Unsecured Notes of that term;
 - (ii) notify the Depositor that the Unsecured Note so issued will be redeemed if the Depositor gives notice to the Company requiring it to be redeemed within 14 days after the Depositor receives the notification; and
 - (iii) on receipt of a notice requiring the Unsecured Notes to be redeemed pay to the Depositor an amount equal to the deposit and interest at the rate applicable to the Unsecured Note calculated from the date on which the Deposit Application Form or Deposit Form was accepted to the date on which the redemption money is sent; or
- e) at its option, return the money as set out in paragraph (c) or follow the procedure set out in paragraph (d).

ACCEPTANCE OF DEPOSITS

The Company will acknowledge in writing acceptance of all deposits within one month of lodgement and subject to all Conditions of Deposit.

The Directors reserve the right to refuse any deposit application at their absolute discretion.

Deposits are NON-TRANSFERABLE.

REPAYMENT OF DEPOSITS

The proceeds shall be paid only to the person(s) named in the original deposit application or to his or her personal representative(s), or any person/organisation named by the depositor(s) in writing.

THIS DEPOSIT APPLICATION FORM MAY NOT BE ISSUED, CIRCULATED OR DISTRIBUTED UNLESS ACCOMPANIED BY THIS PROSPECTUS DATED 12 OCTOBER 2004 OF WHICH IT FORMS PART.



CAPILANO

Honey Limited

ABN: 55 009 686 435

REGULAR DEPOSIT FORM

only to be used for regular automatic additions to an existing AT CALL Deposit
 This form is valid until 11 November 2005 and cannot be used to apply for Unsecured Notes after that date.

A) DETAILS OF DEPOSITOR/S:

I/We :

 Street:
 Town/Suburb: State
 Postcode: Phone:

ABN:
 TFN:
 or Exemption Details
 If under 16 yrs of age, date of
 birth must be stated: / /

B) hereby offer to add to my/our "at call" deposit with Capilano Honey Limited subject to the conditions on the reverse side of this form the sum of

Deposit No.....

AMOUNT OF DEPOSIT

TYPE OF DEPOSIT

i) \$..... AS INDICATED [X] BELOW
 (Please note there is no minimum deposit amount)

Transfer from Beekeeper A/c []
 Deduction from wages []

OR

ii)% of proceeds from all future honey deliveries to the Company

at% interest
 (Please insert interest rate shown on latest advice received by you)

C) INTEREST

Please tick your choice:

Interest to be re-invested [] Please mail cheque [] EFT to bank account []

D) SIGNATURE OF DEPOSITOR/S

Signature (s) of Date: / /

Depositor (s) Date: / /

NOTE: Please ensure Sections A), B), and C) above are completed.

LODGING YOUR DEPOSIT - There is no minimum deposit amount. This Regular Deposit Form is only valid until 11 November 2005 after which a new Regular Deposit Form must be submitted to the company to enable further deductions to be made. This Authority remains in force until the earlier of:

- a) receipt by the company of a written authority from the Depositor to cancel the authority; and
- b) 11 November 2005.

CONDITIONS OF DEPOSIT

This Deposit Application Form is part of this Prospectus dated 12 October 2004 and must not be issued unless accompanied by the Prospectus.

VARIATION OF INTEREST RATES

The Company reserves the right to increase or decrease on a monthly basis during the currency of this Prospectus all or any of the rates of interest on the Unsecured Notes offered by this Prospectus. In doing so the Company has adopted ASIC Class Order 00/174 "Debtenture Prospectus: Updating of Interest Rate and Term Information" issued on 15 February 2000.

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1. That details of interest rates for the following month will be determined by the end of each month and may be obtained by contacting the Company by telephone (07) 3712 8282 facsimile (07) 3712 8286 or e-mail honey@capilano.com.au. In addition, the most current details of rates will accompany Capilano's Shareholder Newsletter and each copy of the Prospectus.
2. The Company hereby undertakes that if the Deposit Application Form or Deposit Form specifies:
 - a) no interest rate; or
 - b) an interest rate which differs from the interest rate currently offered by the Company for Unsecured Notes of that term and which is not acceptable to the Company,

the Company will:

- c) return the deposit moneys to the Depositor in full, without interest, within 14 days of lodgement; or
- d)
 - (i) forthwith issue an Unsecured Note to the Depositor for the term specified in the Deposit Application Form or Deposit Form at the rate which it currently offers for Unsecured Notes of that term;
 - (ii) notify the Depositor that the Unsecured Note so issued will be redeemed if the Depositor gives notice to the Company requiring it to be redeemed within 14 days after the Depositor receives the notification; and
 - (iii) on receipt of a notice requiring the Unsecured Notes to be redeemed pay to the Depositor an amount equal to the deposit and interest at the rate applicable to the Unsecured Note calculated from the date on which the Deposit Application Form or Deposit Form was accepted to the date on which the redemption money is sent; or
- e) at its option, return the money as set out in paragraph (c) or follow the procedure set out in paragraph (d).

ACCEPTANCE OF DEPOSITS

The Company will acknowledge in writing acceptance of all deposits within one month of lodgement and subject to all Conditions of Deposit.

The Directors reserve the right to refuse any deposit application at their absolute discretion.

Deposits are NON-TRANSFERABLE.

REPAYMENT OF DEPOSITS

The proceeds shall be paid only to the person(s) named in the original deposit application or to his or her personal representative(s), or any person/organisation named by the depositor(s) in writing.

THIS DEPOSIT APPLICATION FORM MAY NOT BE ISSUED, CIRCULATED OR DISTRIBUTED UNLESS ACCOMPANIED BY THIS PROSPECTUS DATED 12 OCTOBER 2004 OF WHICH IT FORMS PART.

