

MINUTES OF MEETING

Minutes of the Annual General Meeting held at the Golden Nugget Tabaret,
Maryborough, Victoria at 11.30am on Friday 1 October 2004

PRESENT (AGM437)

Directors: Don Keith (Chairman), Ian Cane (Deputy Chairman), Roger Masters (Managing Director), Phillip McHugh, Trevor Morgan, Rosemary Doherty, Bernard Ballantyne and Warwick Wilshire.

Staff by Invitation: Errol Bailey (*Company Secretary*), Anthony Moloney (*Chief Executive Officer - Medihoney*), Aileen Bleakley (*Financial Controller*), Kevin Fenton (*National Sales Manager*), Peter McDonald (*International Business Manager*), John Gill (*National Operations Manager*), Peter Silver (*Maryborough Branch Manager*) Bill Winner (*Beekeeper Services Manager*), George Gatenby (*Regional Sales Manager*), Carolyn Bryce (*Shareholder Services*), and Annette Zbasnik (*Corporate Secretary*)

Shareholders: 88 members & partners, as per attendance register.

OPENING & WELCOME (AGM 438)

The Chairman opened the meeting at 11.30am and welcomed those present, especially those who had travelled long distances to attend.

On behalf of the Board and Management he thanked all in attendance for taking the time to join in the celebration of the Maryborough plant's thirtieth anniversary.

APOLOGIES (AGM 439)

The Chairman called for apologies from those shareholders unable to attend and these were received from Wayne & Nives Sawdy, Les Ellis, Milton Cameron, Robert Stirling, Richard & Alice Morgan, Arnold & Judith Berkin, Monte & Kaye Klingner, Craig & Theresa Klingner, Bob Weir, Vince & Della Elliott, Phillip & Vicky Elliott, Robert & Andrea Hooper, George Bumstead, Bill & Marlene Weiss, Dale & Julie Richards, Maurie Bush, Ross & Joan McHugh, Neil Peadon, Noel & Mrs Mills, Joyce & Graeme Wagenfeller, Craig & Wendy Scott and the Alt & Bingley families.

DECLARATION OF POLL (AGM 440)

The Chairman referred to the explanatory note which accompanied the proxy forms forwarded to shareholders, and declared that voting on the resolutions dealing with the election of directors and the increase in directors' fees would be by poll.

Tellers

On a motion moved by Bill Falkenberg and seconded by Ray Phillips it was resolved that Annette Zbasnik and Carolyn Bryce be appointed tellers for the counting of votes.

Scrutineers

The meeting agreed not to appoint a scrutineer to observe the counting of votes.

Voting Slips

On a motion moved by John Ball and seconded by Sandy Mathison, it was resolved that all voting slips and associated computer records be destroyed once they were counted and the poll declared.

FINANCIAL & STATUTORY REPORTS (AGM 441)

The Chairman then referred to the Annual Report, which included his Chairman's Report and Reports from the company's Managing Director, National Sales Manager, International Business Manager, Quality Assurance Manager and the Chief Executive Officer of Medihoney. He stated that the year ended 30 June 2004 presented Capilano with significant challenges which, while reducing profits, had opened opportunities to strengthen the company for the years ahead.

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

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

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

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

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

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

The listing provides the first opportunity for members of the public to join in ownership of the company and the Chairman welcomed their participation. Early trading of Capilano shares on the Exchange was at prices above those achieved during trading on the Capilano Exempt Stock Market.

In reporting that net profit for the year was \$40,000 compared with \$2.387 million the previous year, the Chairman noted that the years result was adversely affected by:

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

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

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

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

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

Medihoney, the Group's wholly owned subsidiary doubled its revenue to \$2 million and is projecting strong growth for the current year. It is reaping the benefit of consumer interest in and acceptance of an increasing range of honey based "over the counter" health care products.

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

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

The first year of Capilano Labonte, Capilano's 50% owned Canadian operation involved an extensive review of products, markets and production facilities.

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

The ongoing efforts of the Canadian team are being rewarded by increased sales and Capilano Labonte Inc's future is positive.

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

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

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

With the challenges of 2004 having strengthened Capilano, the Chairman stated that he was looking forward to a very positive future in that.

- Relief from the drought was improving supplies of Australian honey, underpinning recovery in the domestic market.
- Non-honey products, golden syrup and toppings, are broadening the company's product range.
- Export retail sales are expected to achieve further increases this year.
- Medihoney was growing at an exciting rate.
- Capilano Labonte's future is bright and sales of Capilano Argentine honey have commenced.

The Chairman reported that the Board had continued to operate as a stable, diligent and effective team during this most challenging of years for Capilano and he acknowledged its professionalism.

He also referred to the Concise Financial Report included in the Annual Report and commended Management on their preparation. He then invited shareholders to raise any issues they would like discussed.

Questions and comments were asked or raised by Bill Falkenberg, Stephen McGrath, Geoff Cotton, Brian Rich, Alan Gell, Kaylene Tonkin and John Ball and were answered to the satisfaction of the Meeting.

DIRECTORS (AGM 442)

The Chairman advised that following the restructure earlier in the year which saw the formation of Capilano Beekeepers Ltd, directors elected to the Board of that company were automatically appointed to the Board of Capilano Honey Limited.

He then reported that at the recent Annual Meeting of Capilano Beekeepers Ltd, Messrs Ian Cane and Phillip McHugh had been re-elected, and were thus now re-appointed to the Board of Capilano Honey Limited.

DIRECTORS' FEES (AGM 443)

The Chairman then moved to the Resolution dealing with the proposed increase in directors' fees, and noted that at the 2002 Annual General Meeting, shareholders had endorsed a procedure recommended by the Board to link directors' fees to company performance in terms of honey price, dividend, and retained earnings over a five year period.

He advised that the recommendation to increase directors' fees was made by applying the 6.76% smoothing average of shareholder returns for the past five years as the recommended rate of increase.

On behalf of the Board he encouraged shareholders to support this recommendation which would provide adequate remuneration for the current Directors and ensure the Board's ability to attract successors when necessary. He also advised that at the recent Annual General Meeting of Capilano Beekeepers Ltd shareholders had resolved to support the recommendation to increase fees, and that accordingly the Foundation Share would be voted in favour of the Resolution.

Trevor Monson then moved that the remuneration of directors be increased in accordance with the details appearing in the Notice of Meeting.

Bill Falkenberg then seconded the motion.

Both gentlemen spoke in support of the motion. Mr Brian Rich spoke against the motion.

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

Adjournment - Counting Of Votes

The Chairman formally adjourned the meeting at 12.10pm to enable the votes to be counted.

Resumption

The Chairman reconvened the meeting at 12.22pm

RESULTS OF POLL - DIRECTORS' FEES (AGM 444)

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

IN FAVOUR of the motion	:	452,161
AGAINST the motion	:	430,980

The Chairman advised accordingly that Resolution had been passed, and that Directors Remuneration from 1 July 2004 would be as detailed in the Notice of Meeting.

CLOSURE (AGM 445)

There being no other business relating to the Annual General Meeting, the Chairman thanked shareholders for their attendance and attention to business, and closed the meeting at 12.26pm.