



SUPPLEMENTARY PROSPECTUS

This is a supplementary prospectus ('Supplementary Prospectus') dated 27 June 2005 intended to be read with the Prospectus dated 12 October 2004, relating to the offer of shares and Unsecured Notes in Capilano Honey Limited ACN 009 686 435 ('CHL').

This Supplementary Prospectus was lodged with Bendigo Stock Exchange ('BSX') and with ASIC on 27 June 2005. BSX and ASIC take no responsibility for the contents of the Prospectus, or the Supplementary Prospectus. Terms used in this Supplementary Prospectus have the same meaning as defined in the Prospectus.

Introduction

As set out in the Prospectus dated 12 October 2004, each shareholder with a Honey Supply Agreement is required to hold 16 shares for each hive used for honey production.

All Supplier Shareholders who continue their honey supply relationship with the Company are required to fulfil their undertaking under the Honey Supply Agreement to hold 16 shares for each hive used for honey production ('the shares to hives ratio').

Constitution of CHL

CHL's constitution makes provision for the Company to issue shares in order for Supplier Shareholders to comply with their obligations under their Honey Supply Agreement. Accordingly, CHL will require non complying Supplier Shareholders who do not purchase shares on the BSX to subscribe for new issued shares. Such shares will be issued at the weighted average traded price of the last five trades of CHL shares on the BSX preceding the date of issue.

Prospectus

As set out in the Prospectus, the Board had until most recently intended to use the relevant provisions in the constitution to issue only one share to persons who have applied for and been issued with a Honey Supply Agreement. The Company now intends to issue additional shares to non complying Supplier Shareholders, utilising funds of each relevant shareholder under the Company's control.

Accordingly the following wording in the Prospectus should be changed in the manner set out below:

- a) At page 2, clause 1.2, the end of the paragraph entitled 'Share Issue' add the following words:

From time to time, the Board may utilise funds held by the Company on behalf of a shareholder to pay for shares issued to that shareholder to enable compliance with their Honey Supply Agreement obligations.

- b) On page 23, section 9.4 entitled 'Honey Quota', after the heading entitled 'Shares to Hives Ratio', add the following sentence after the sentence ending 'purchased on the BSX':

'Alternatively, additional shares may be issued from time to time by the Board.

The Company will be authorised by Supplier Shareholders to use funds held on their behalf to pay for shares, either:

- purchased on the BSX on the shareholder's behalf at the weighted average traded price of the last five trades of CHL shares on the BSX preceding the day the Buy Order is lodged, or*
- issued at the weighted average traded price of the last five trades of CHL shares on the BSX preceding the date of issue.*

so that, the Company may at any time without further notice to the Supplier Shareholder set off or apply the funds held by the Company on the Supplier Shareholder's behalf for the purchase or issue of shares in the Company to meet the Supplier Shareholder's obligation to maintain its shares to hives ratio.

The Supplier Shareholder will also appoint the Company and its officers to be their attorney to enter into all documentation which may be required.

In the event that all Supplier Shareholders who are not complying with their obligations under the Honey Supply Agreement as at the date of this Supplementary Prospectus require additional shares in the Company to comply with their shares to hives ratio obligations, the maximum number of shares which may be issued by the Company will be approximately 60,000 up to 31 December, 2005 and a further 513,300 over the next 8 years (these figures assume any future Supplier Shareholders will comply at all times with their obligations under the Honey Supply Agreement).

The requirement of a Supplier Shareholder to maintain the shares to hives ratio is an ongoing obligation, and the Company will take steps to ensure enforcement is also on an ongoing basis either through on-market transactions in the first instance or share issues.

This Supplementary Prospectus has been duly signed on behalf of the Directors of Capilano.

A handwritten signature in black ink, appearing to read 'R D Masters', written in a cursive style.

Signed for and on behalf of the Directors

Roger D Masters
Managing Director