



Minutes of Annual General Meeting – 15 November 2018

Venue: Spring Lake Function Centre, Brisbane, Queensland

(AGM589) **OPENING / QUORUM**

There being a quorum of members present, the Chairman opened the meeting at 11.45am and welcomed those present:

Directors: Trevor Morgan (Chairman), Phillip McHugh (Deputy Chairman), Simon Tregoning, Robert Newey, Julie Pascoe, Brian O'Donnell, Val Tripp, Ben McKee; and Company Secretary: Annette Zbasnik.

Staff by Invitation: Dirk Kemp (CFO), Stephen Covey (Honey Supply Manager), Bill Winner (Beekeeper Relations Officer), Lynne De-Roule (Beekeeper Customer Service Officer).

Auditor: Junaide Latif (William Buck).

Shareholders: 41 members & partners, as per attendance register

(AGM590) **DECLARATION OF POLL**

The Chairman referred to the explanatory note accompanying the proxy forms forwarded to shareholders and declared that voting on all resolutions would be by poll.

(AGM591) **NOTICE OF MEETING**

The Chairman declared that the Notice of Meeting had been dispatched to all shareholders and was taken as read.

(AGM592) **OUTCOME OF SCHEME MEETING**

The Chairman advised that at the Scheme Meeting held earlier, Shareholders had approved the Scheme of Arrangement and that shares will be suspended from trading on ASX from close of trading today, pending the outcome of the Second Court Date.

AGM resolutions are still required and will be valid until the Scheme Implementation date of 5 December 2018.

(AGM593) **FINANCIAL & STATUTORY REPORTS**

The Chairman then moved to the Directors' Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2018.

Following is an extract of his Report tabled to the meeting:

"This financial year has seen another successful year for Capilano with a pleasing result.

An improved honey production season has enabled Capilano to increase stock levels to a more acceptable level, which supports the renewed focus on developing profitable and sustainable export sales.

The increased availability of honey, particularly in the first half of the year, has led to increased competition for local sales as competitors seek to regain sales with higher levels of discounting.

Though at the time of writing this report weather conditions have once again turned very dry in many districts so it is comforting to have a little more honey in the yard than has been the case in recent years.

Results

The net operating profit before tax of \$14,046k for this financial year is a significant 19.6% improvement over last year's \$11,739k once the one off non-operating capital gain of \$2.07m, arising from asset sales is removed from that year.

It is also pleasing to note that Capilano achieved a \$1.3m positive cash flow while also increasing stock levels by over \$7m.

These results have allowed the return of profit to shareholders in the form of 42 cents per share fully franked dividend, announced in June and paid on 31 July 2018.

Sales and Marketing

The company has endured a number of years where sales expansion and opportunities were often hampered or restricted by the limited availability of quality Australian honey, leaving us with the only avenue for growth being to achieve better margins on the sales we make and to develop new higher margin products.

Though our team have been very successful at doing that, it is now very exciting to see the plans our expanded Sales and Marketing team are currently developing to take advantage of the extra Australian honey currently available to grow markets both locally and overseas.

We can also now justify increased expenditure on brand support and marketing in the form of advertising, some of which you may already have seen, with more planned.

Board

During the year the Board was expanded with the addition of Ms. Valentina Tripp, who was appointed on 1 May 2018 after an exhaustive search. Valentina has extensive experience and success in FMCG, agribusiness, consumer products and retail companies both domestically and internationally, with recent executive experience in Asia.

In the short time Valentina has been with us, she has contributed significantly to our Board discussions and decision-making, and we look forward to her ongoing involvement.

It has been heartening to work with all the members of the Board who collectively make a very effective and productive team.

Looking Forward

The focus going forward will be to build on the strength of our brand in the local market, offering consumers the quality and reliability they have come to expect from Capilano; further expand our export retail sales by using innovative packaging; and by promoting the health and wellness attributes of the great products we market.

To help fast track achieving our goals, we have the support of an expanded, innovative and exciting Sales and Marketing team and a larger marketing budget.

Weather conditions permitting, we are hopeful that our beekeeper suppliers will continue to have success in producing the great Australian honeys they supply us.

In support of the Australian beekeeping industry, Capilano continues to invest significantly in a range of initiatives to promote bee health, effective biosecurity and to support beekeeper education and development.

Finally, I would like to thank all those involved at Capilano for their dedication and hard work in achieving the continued success of the Company and to recognise the importance of the beekeepers who supply the honey."

The Chairman invited shareholders to raise any issues they would like discussed from the CZZ Annual Report and any questions to the Auditor, noting that these questions are only to relate to the conduct of the Audit or the Audit Report.

In response to questions from the floor, the Chairman advised:

- that no half year dividend would be declared prior to the Scheme Implementation;
- that subject to the Court approving the Scheme, current Directors will only retain their positions until the Implementation Date and will only be paid up until that date.

There being no further questions or comments from shareholders the Chairman moved to the next item of business.

(AGM594) RESOLUTION 1: RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – MR ROBERT NEWEY

The Chairman then moved that Resolution 1 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that Mr Robert Newey who retires in accordance with the Company's Constitution, and being eligible for re-election, be re-elected as an Independent Director of the Company.

The Chairman then opened the motion for discussion.

There being no questions or comments from shareholders the Chairman asked shareholders to vote on Resolution 1.

(AGM595) RESOLUTION 2: RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – MRS JULIE PASCOE

The Chairman then moved that Resolution 2 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that Mrs Julie Pascoe who retires in accordance with the Company's Constitution, and being eligible for re-election, be re-elected as an Independent Director of the Company.

The Chairman then opened the motion for discussion.

There being no questions or comments from shareholders the Chairman asked shareholders to vote on Resolution 2.

(AGM596) RESOLUTION 3: ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – MS VALENTINA TRIPP

The Chairman moved that Resolution 3 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that Ms Valentina Tripp who stands for election in accordance with the Company's Constitution and ASX Listing Rules, and being eligible, be elected as a Non-Executive Director of the Company.

The Chairman then opened the motion for discussion.

There being no questions or comments from shareholders the Chairman asked shareholders to vote on Resolution 3.

(AGM597) RESOLUTION 4: REMUNERATION REPORT

The Chairman moved that Resolution 4, as follows, and as set out in the Notice of Meeting, be passed as an ordinary resolution – that the Remuneration Report, included in the Report of Directors in the Company’s Annual Report for the financial year ended 30 June 2018 be adopted.

This resolution of Shareholders is advisory only and does not bind either the Directors or the Company, though provides an opportunity for shareholders to indicate their support or opposition to the Board’s Remuneration Policy.

The Chairman then opened the motion for discussion.

There being no questions or comments from shareholders the Chairman asked shareholders to vote on Resolution 4.

Directors and other key management personnel and closely related parties will abstain from voting on this resolution in accordance with the Corporations Act 2001. Exceptions may apply to votes cast as a proxy, as detailed in the Notice of Meeting.

(AGM598) RESOLUTION 5 – APPROVAL OF ISSUE OF 30,000 OPTIONS TO THE MANAGING DIRECTOR

The Chairman moved that Resolution 5 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution - that for the purpose of ASX Listing Rule 10.14 and for all other purposes, shareholders approve the grant to Dr Ben McKee, the Company's Managing Director, of 30,000 options together with the issue of 30,000 fully paid ordinary shares upon exercise of any such options for the financial year ending 30 June 2019, under the Company's Long Term Incentive Plan and on the terms and conditions described in the Explanatory Memorandum.

The Chairman then opened the motion for discussion.

There being no questions or comments from shareholders the Chairman asked shareholders to vote on Resolution 5.

The Company will disregard any votes cast on this Resolution by Ben McKee or any of his associates as detailed in the Explanatory Memorandum’s voting exclusion statement for this resolution.

(AGM599) ADJOURNMENT / RESUMPTION

The Chairman formally adjourned the meeting at 12.45pm for the counting of votes and reconvened the meeting at 12.55pm

(AGM600) RESULTS OF POLL

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

	FOR	%	AGAINST	ABSTAIN
1. Re-elect Independent Non-executive Director – Robert Newey	3,721,744	98.58	53,616	12,043

The Company Secretary then formally declared the motion had passed and Mr Robert Newey elected an Independent Non-Executive Director.

	FOR	%	AGAINST	ABSTAIN
2. Re-elect Independent Non-executive Director – Julie Pascoe	3,590,635	95.18	181,725	11,043

The Company Secretary then formally declared the motion had passed and Mrs Julie Pascoe elected as an Independent Non-Executive Director.

	FOR	%	AGAINST	ABSTAIN
3. Elect Independent Non-executive Director – Val Tripp	3,621,914	96.00	150,895	14,594

The Company Secretary then formally declared the motion had passed and Ms Val Tripp elected as an Independent Non-Executive Director.

	FOR	%	AGAINST	ABSTAIN
4. Adopt Remuneration Report	3,404,326	96.28	131,528	84,145

The Company Secretary then formally declared the motion had passed.

	FOR	%	AGAINST	ABSTAIN
5. Approve issue of Options to Capilano Managing Director	3,271,896	93.68	220,724	127,379

The Company Secretary then formally declared the motion had passed.

The Chairman thanked shareholders for their outstanding support for all the resolutions and noted that pending the Court approving the Scheme, the above resolutions may only be valid until the Implementation Date.

The Chairman then introduced the Members present from the Consortium and wished them well for the future direction of Capilano Honey.

(AGM601) CLOSURE

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 1.00pm.