



18 November 2016

ANNOUNCEMENT

Chairman's Script – 2016 AGM

WELCOME

Good morning ladies & gentlemen, it is my pleasure to welcome you to this year's Annual General Meeting.

DIRECTORS / COMPANY SECRETARY

All Directors are present today,

- Mr Trevor Morgan, Independent Non-Executive Director, Chairman and Chairman of the Nomination Committee;
- Mr Phillip McHugh, Independent Non-Executive Director, Deputy Chairman and Chairman of the Honey Supply & Industry Committee;
- Mr Simon Tregoning, Independent Non-Executive Director and Chairman of the Human Resource & Remuneration Committee;
- Mr Robert Newey, Independent Non-Executive Director and Chairman of the Audit & Compliance Committee;
- Mrs Julie Pascoe, Independent Non-Executive Director;
- Dr Ben McKee, Managing Director; and
- Mrs Annette Zbasnik, Company Secretary.

AUDITORS

Mr Junaide Latif of William Buck.

VOTING

In accordance with Rule 87 of the Company's Constitution, I declare that all resolutions will be the subject of a poll.

NOTICE OF MEETING

The Notice of Meeting was dispatched to all shareholders and will be taken as read.

PROCEDURE FOR THE MEETING

At this point I remind shareholders that this meeting is the Annual General Meeting of the company and only matters which are AGM matters may be discussed.

FINANCIAL REPORTS

The first item of ordinary business is the tabling of the financial reports and the directors' and auditors' reports. Under the Corporations Act 2001, the company is obliged to lay before this meeting the last audited financial statements and reports, which were circulated, and which are dated 30 June 2016.

Capilano continues to grow.

We began the financial year with a little apprehension about the forecast El Niño event and its possible effect on honey production in Australia. While not all production areas escaped the consequences, most producers were able to harvest a worthwhile crop and this has allowed Capilano an improved ability to meet its sales requirements.

Results

The net profit before tax of \$13,443k for this financial year is a very good result, giving a substantial 21% improvement over the previous year.

With a tax expense of \$3,959k paid this financial year leaving a net profit after tax of \$9,483k, a 20.9% improvement over last years \$7,845k.

Based on these results for the year a fully franked dividend of 40 cents per share was declared in May and paid to shareholders on 29 July 2016.

Capital Raising

During the year Capilano conducted a fully underwritten 1 for 10 pro-rata non-renounceable Rights Issue which resulted in the issue of 860,360 additional new ordinary shares with gross proceeds of \$16,777k.

These funds will be used to accelerate growth by strengthening both the financial and competitive position of Capilano and will:

- *strengthen the balance sheet by reducing debt and provide flexibility for funding further growth;*
- *help fund the acquisition of beekeeping enterprises;*
- *increase working capital to support business growth and new export sales;*
- *allow capital investment in selected production efficiency upgrades and new product capabilities;*
- *provide a dedicated marketing budget to support new product development and export growth.*

I would like to thank shareholders for their outstanding support of this Rights Issue.

Beekeeping Enterprises and Medibee Joint Venture

In a significant departure from our previous dependence on the purchase of honey and bee products from other beekeeping enterprises, Capilano has begun to vertically integrate by investing in selected beekeeping enterprises, primarily in the production of high value Leptospermum honey used in our premium range of medical and natural health products. These operations will be managed by Medibee, a 50/50 Joint Venture with Comvita who are a New Zealand company that have extensive production and marketing expertise from their own operations in New Zealand and who currently operate in Australia in a sales and marketing capacity.

We expect this new joint venture to assist our business by increasing the security of supply and by expanding our involvement in the international value chain for Leptospermum or Manuka honeys.

In addition, Capilano has entered a joint venture with an existing contracted honey supplier in Western Australia to assist the expansion of this already large honey producing enterprise.

While these enterprises will help to secure Capilano's supply base they will also give us a platform to train and assist potential new entrants into honey production either as employees or ultimately in their own right.

We will endeavour to use them to assist rather than compete with our existing contracted supplier base who are mostly very efficient family based businesses.

Our People

Once again I cannot stress enough how important the people who work at Capilano are in achieving the outstanding results we have had in recent years, and with the addition of some new faces in the operations, sales and marketing departments I am confident we have a team that can deliver the best possible outcomes going forward.

I would also like to thank my fellow Directors for their continuing dedication and skill at achieving the best outcomes for all our stakeholders. It is a pleasure to work with them.

Looking Forward

The Board and Management of Capilano will continue to strive to preserve and extend Capilano's position as market leader in Australia while developing further market opportunities both locally and overseas for our great product. We look forward to the continuing growth of the business.

RESOLUTION 1 – RE-ELECTION OF BEEKEEPER DIRECTOR

In accordance with ASX Listing Rule 14.4, I, Trevor Morgan must retire by rotation at this meeting and offer myself for re-election with the support of the Board.

I have been a director since 1998, was Deputy Chairman from 2004 – 2005 and was elected Chairman in 2005. I am a second generation beekeeper with over 40 years' experience in honey production, and have been widely involved in industry matters for many years at both a State and National level; I am a Fellow of the Australian Institute of Company Directors and hold a Company Directors' Advanced Diploma.

The directors (other than myself) recommend you vote in favour of this resolution.

RESOLUTION 2 – RE-ELECTION OF INDEPENDENT DIRECTOR

It is my pleasure in moving that Mr Robert Newey, who retires by rotation under Rule 111 of the company's constitution, and being eligible, be re-elected as a director of the company.

Mr Newey has been a director since 2012. He is also a director of Bakers Delight Holdings Ltd, Saleslink Australasia Pty Ltd, Modern Baking Holdings Pty Ltd, Foodbank Queensland Limited and Aware Environmental Ltd.

Mr Newey is a graduate of the Australian Institute of Company Directors and has over 30 years' experience in business with skills in managing change, developing strategic plans, organising people, operational due diligence in merger and acquisitions and leading entrepreneurial teams.

Previously, Mr Newey was a retail advisor with private equity investment firm TPG Capital, a consultant to the department store Myer Pty Ltd Management Board, director of a Myer Family Company retail subsidiary and member of the senior manager group of Woolworths.

The directors (other than Mr Newey) recommend you vote in favour of this resolution.

RESOLUTION 3 – INCREASE TOTAL AGGREGATE REMUNERATION OF NON-EXECUTIVE DIRECTORS' FEES

The Constitution and the ASX Listing Rules require shareholder approval of changes to the maximum aggregate level of directors' fees that may be payable to non-executive directors.

There have been no increases to the total remuneration for directors' pool since the 2004 AGM.

The proposed increase will offer the Board the flexibility to appoint up to two additional non-executive directors, to allow for better transition to succession while broadening the skill base of the board.

The Board is not proposing any increase to the existing directors' remuneration at this time.

I now move that Resolution 3, as follows, and as set out in the Notice of Meeting and Explanatory Memorandum be passed as an ordinary resolution – that in accordance with rule 114 of the Constitution and for the purpose of ASX Listing Rule 10.17 and for all other purposes, approval be given to the company to increase the total aggregate remuneration of non-executive directors' fees to \$545,000, excluding the Managing Director, Superannuation Guarantee Contribution and Insurance Premiums.

As the Directors have an interest in this Resolution they will abstain from offering a recommendation for this resolution.

The Company will disregard any votes cast on this Resolution by Directors or their associates as detailed in the Explanatory Memorandum's voting exclusion statement for this resolution.

RESOLUTION 4 – ELECTION OF INDEPENDENT DIRECTOR

(Subject to Resolution 3)

It is my pleasure in moving that Mrs Julie Pascoe, who is required to stand for election under Rule 112 of the Company's Constitution and ASX Listing Rule 14.4, be elected as a director of the company.

Mrs Julie Pascoe was appointed Independent Non-Executive Director on 7 October 2016. She is also a Director of RT Health Fund, Transport Health Pty Limited, Barnardos Australia, Stuart Alexander & Co Pty Ltd and Corporate Property Group.

Julie has held Executive Director roles in marketing, marketing strategy and business management over a range of fast moving consumer goods and manufacturing based companies including S.C. Johnson, Kellogg and Unilever. Julie has lived in Australia, Asia and the United States and brings with her 25 years' experience in senior management, with emphasis on building strong brands and ensuring high levels of organisational performance and competence

The Directors (other than Mrs Pascoe) recommend that shareholders vote in favour of Resolution 4.

RESOLUTION 5 - REMUNERATION REPORT

This year's Report of Directors again contains a separate Remuneration Report on pages 16 to 21. The Corporations Act provides for shareholders to have a vote on the Remuneration report. The vote is non-binding, but provides an opportunity for shareholders to indicate their support or opposition to the Board's Remuneration Policy.

In brief, Capilano endeavours to provide remuneration that is comparable with the salaries for similar positions in other companies. Incentives provide opportunity for some employees to achieve improved remuneration in accord with Company performance and / or key personal performance indicators.

The Board considers the Company's Remuneration Policy developed over many years is tried and tested and best suits the Company's needs to attract the most suitable people. The Board would welcome shareholder support for the Company's Remuneration Report.

I now move that Resolution 5 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 the Directors on pages 16-21 of the Company's Annual Report for the financial year ended 30 June 2016 be adopted.

As this Resolution relates to matters including the Remuneration of the Directors, the Board, as a matter of good corporate governance and in accordance with the spirit of section 250R(4) of the Corporations Act, make no recommendation regarding this Resolution.

The Company will disregard any votes cast on this Resolution by Directors and other key management personnel and closely related parties as detailed in the Explanatory Memorandum's voting exclusion statement for this resolution.

RESOLUTION 6 – APPROVAL OF LONG TERM INCENTIVE PLAN

The Notice of Meeting and Explanatory Memorandum set out in detail relevant information regarding the Long Term Incentive Plan.

The purpose of this resolution is to seek shareholder approval of the Long Term Incentive Plan.

I now move that Resolution 6, as follows, and as set out in the Notice of Meeting be passed as an ordinary resolution – that for the purposes of ASX Listing Rule 7.2 (exemption 9) and for all other purposes, the issue and transfer of securities under the Company's Long Term Incentive Plan be approved as an exception to ASX Listing Rule 7.1.

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.

RESOLUTION 7 – APPROVAL OF ISSUE OF 30,000 OPTIONS TO THE MANAGING DIRECTOR

(Subject to Resolution 6)

The Notice of Meeting and Explanatory Memorandum set out in detail relevant information regarding the Issue of 30,000 Options to the Managing Director.

The purpose of this resolution is to seek shareholder approval of the issue of these options.

I now move that Resolution 7, as follows, and as set out in the Notice of Meeting be passed as an ordinary resolution – That for the purposes 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 2017, under the Company's Long Term Incentive Plan and on the terms and conditions described in the Explanatory Memorandum.

The directors (other than Mr McKee) recommend you vote in favour of this resolution.

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.

CLOSURE

Ladies and Gentlemen, this brings the 2016 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings and now declare the meeting closed.