

MINUTES OF MEETING

Minutes of the Annual General Meeting (AGM) of Capilano Honey Limited (CZZ)
held at the Springlake Function Centre, Brisbane, Queensland on Friday, 21 November 2014.

PRESENT (AGM 543)

Directors: Trevor Morgan (Chairman), Phillip McHugh (Deputy Chairman), Simon Tregoning, Robert Newey and Ben McKee.

Staff by Invitation: Dirk Kemp (Company Secretary), Peter McDonald (Sales Director), Bill Winner (Beekeeper Services Manager), Annette Zbasnik (Corporate Secretary) and Lynne De-Roule (Beekeeper Administrator).

Shareholders: 49 members & partners, as per attendance register.

OPENING & WELCOME (AGM 544)

The Chairman opened the meeting at 11.05am and welcomed those present. He also welcomed professional business advisor to the Capilano Group – Junaide Latif of William Buck, Auditors.

APOLOGIES (AGM 545)

The Chairman called for apologies from those shareholders unable to attend and these were received from: Ron & Dawn Rich, Kae Klingner, Marlene Nelson, John Nelson, Len Arkadieff, Murraray Arkadieff, Roy Barnes, Gordon O'Brien, Ted O'Brien.

DECLARATION OF POLL (AGM 546)

The Chairman referred to the explanatory note accompanying the proxy forms forwarded to shareholders and declared that voting on the resolution dealing with the Remuneration Report would be by poll.

Tellers

On a motion moved by Don Keith and seconded by Peter Barnes it was resolved that Annette Zbasnik be appointed Teller for the counting of votes.

Voting Slips

On a motion moved by David Elson and seconded by Enrico Albertani it was resolved that all voting slips and associated computer records be destroyed once they were counted and the poll declared.

Proxies held by Directors and Management

The Chairman advised the following proxy details:

	Manner in which the securityholder directed the proxy vote (as at proxy close):			
	Proxy Votes FOR	Proxy Votes AGAINST	Proxy Votes DISCRETION	Proxy Votes ABSTAIN
Resolution 1: Election of Independent Director – Robert Newey	2,584,898	-	95,837	-
Resolution 2: Remuneration Report	2,545,067	32,831	97,837	5,000
Resolution 3: Amend Constitution	2,582,898	-	97,837	-

FINANCIAL & STATUTORY REPORTS (AGM 547)

The Chairman then moved to the next item on the Agenda, that being the Directors' Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2014.

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

"It is pleasing to once again report that Capilano has completed a very successful year with a significant increase in both sales and profit.

The most notable issues during the year have been a shortage of supply due to low honey production nationally, and the successful and profitable integration into the business of the Western Australian honey packing and marketing operation, Wescobee, that was acquired towards the end of last financial year.

Results

A net profit after tax of \$4.61m for this financial year is a very good result, being a 34% improvement over the previous year and continues to build on the increases seen over the last few years.

This year's EBITDA of \$9.05m is also an increase over last year's good result of \$7.76m.

A fully franked dividend of 20 cent per share, comprising the 15 cent 'normal' dividend plus a 5 cent special dividend to reflect the improved performance, was declared in June based on this year's results and paid to shareholders on 25 July 2014.

Honey Supply

Beekeepers throughout the country have had a difficult season for honey production that has resulted in lower than normal production nationally; the increased competition for the limited supply has seen an escalation in the cost to Capilano for the honey we have acquired. Fortunately Management have been successful in obtaining corresponding increases in wholesale prices for our products that has maintained a reasonable level of profitability for Capilano.

It has been the first time for many years that we have seen a meaningful increase in the wholesale price and we hope to be able to maintain most of these as production comes back to normal next season, providing us with the opportunity to give beekeepers a much needed incentive to stay in production.

Changes in sales mix to reduce the number of lower margin large retail packs has also allowed the company to maintain returns from the limited amount of honey available.

It has been and continues to be our policy to only use 100% Australian honey in our Capilano branded Australian retail products.

Significant Events

Wescobee, the major West Australian honey company that was acquired near the end of the previous financial year has now been successfully and seamlessly integrated into Capilano and continues to contribute to the whole business, meeting and in some cases exceeding our original expectation.

Looking Forward

Hopefully the next honey season beginning this spring will see more favourable conditions for honey production, that will result in more honey available to meet the demand for this great product and allow Capilano to take better advantage of the sales opportunities that exist worldwide.

Capilano continues to strive for increased efficiencies within the core business to meet our aim of being the most efficient low cost participant in the category. While the fire that destroyed much of shed two in Richlands in late 2012 created some disruption, we have been able to use the rebuilding to modify the operation to make it more efficient and streamlined. The insurance pay back for the fire has now been completed and we currently retain some of that money to further improve the decanting of raw honey.

The Sales and Marketing team have done a great job working with our major customers to improve the offering we have available for consumers and to maintain the returns achieved. Capilano has always had a large share of the category but we have seen that market share increase even further over the past year.

New products like, premium seasonal honey and pot set honey, continue to be introduced to maintain consumers interest in the product and to attract new or lapsed users back to consuming honey.

During the past year shareholders have been rewarded with a steady increase in the traded price for the shares they hold in the company, hopefully with further good results and with those for the full year included in this report, that momentum can be maintained.

Our People

The outcomes and results accomplished during the past year can only be achieved if everybody in the Capilano team are working hard and working together.

I would like to take this opportunity to thank everyone at Capilano for a great year and I am very proud to be part of the team.

Management and Staff have done an outstanding job of operating the business through a difficult year with only limited honey available.

My thanks and appreciation also goes to the other members of the Board who have worked very well together to further the development of Capilano and protecting the interests of all its stakeholders.

Finally to all the beekeepers who supply Capilano, we hope for a better new season for them and a more profitable future.

I now invite shareholders to raise any issues they would like discussed from the CZZ Annual Report.

I will also invite questions to the Auditor, noting that these questions are only to relate to the Conduct of the Audit or the Audit Report."

There being no questions or comments from shareholders the Chairman moved to the Resolution dealing with the Election of Beekeeper Directors.

Resolution 1:

ELECTION OF INDEPENDENT DIRECTORS (AGM 548)

The Chairman then moved to the Resolution dealing with the election of Independent Directors.

Following is an extract of the Chairman's Report tabled to the meeting:

In accordance with Rule 108 of the Constitution, Mr Robert Newey must retire by rotation at the Meeting and offers himself for re-election with the unanimous support of the Board.

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) unanimously recommend you vote in favour of this resolution.

The Chairman advised that no other nominations had been received.

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 on their voting slip.

Resolution 2:

REMUNERATION REPORT (AGM049)

The Chairman then moved to the Resolution dealing with the Remuneration Report.

Following is an extract of the Chairman's Report tabled to the meeting:

A resolution to adopt the Remuneration Report is required under section 250R(3) of the Act. The resolution of Shareholders is advisory only and does not bind either the Directors or the Company. The Directors believe that the Company's remuneration policies are fair, reasonable and appropriate for its needs. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting. The Remuneration Report is included in the 'Report of the Directors' on pages 12-17 of the Company's Annual Report for the financial year ended 30 June 2014 (Annual Report).

As the 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 Chairman then opened the motion for discussion.

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

Resolution 3:

AMEND CONSTITUTION (AGM050)

The Chairman then moved to the Special Resolution dealing with the amendments to the Constitution following the removal of the Shares-to-Hives ratio requirement.

Following is an extract of the Chairman's Report tabled to the meeting:

Background

The Shares to Hives ratio was a requirement for suppliers to the Company to hold 16 fully paid ordinary shares in the Company for each hive of bees used for producing honey.

In February 2014, Directors resolved to remove this requirement.

Subsequently, the following amendments to the terminology used in the Company's Constitution are required:

Proposed Amendments

- **Replace** the word 'shareholders' with 'Contracted Suppliers' in Rules 5a, 5b, 5c as follows:

'5. The objects for which the Company is established are:

- a) The acquisition of honey and wax from its ~~shareholders~~ Contracted Suppliers for disposal and distribution.*
- b) The storage, marketing, packing and processing of honey and wax purchased from its ~~shareholders~~ Contracted Suppliers.*
- c) The purchase and sale to ~~shareholders~~ Contracted Suppliers of beekeeping equipment and supplies or any other trade lines which may be conducive to the best interests of ~~shareholders~~ Contracted Suppliers.'*

- **Amend** Rule 7

'7. In these rules, unless it is inconsistent with the subject or context in which it is used:

Insert: 'Contracted Supplier' means a person who is a party to a current Honey Supply Agreement.

Insert: 'Person' and words importing 'persons' include partnerships, associations and corporations unincorporated and incorporated by Ordinance, Act of Parliament or registration, as well as individuals.

Delete: 'Supplier Shareholder' means a shareholder who is a party to a current Honey Supply Agreement.'

- **Delete** Rule 74, as no longer applicable

'74. The Directors shall have the power to issue shares at any time to shareholders for the exclusive purpose of enabling them to comply with their shareholding obligations under Honey Supply Agreements, and at Director's discretion to other persons who have successfully applied for Honey Supply Agreements. Directors may also, at their discretion, issue shares to a new supplier coincidental with the signing of a new Honey Supply Agreement.'

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 on their voting slip.

Adjournment - Counting of votes

The Chairman formally adjourned the meeting at 11.30.am for the counting of votes.

Resumption

The Chairman reconvened the meeting at 11.40.am

RESULTS OF POLL (AGM 551)

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

	FOR	%	AGAINST	ABSTAIN
1. Independent Director – Robert Newey	3,261,359	99.59	13,440	-

The Company Secretary then formally declared that Robert Newey was re-elected as an Independent director.

	FOR	%	AGAINST	ABSTAIN
2. Remuneration Report	2,963,221	96.18	117,749	5,000

The Company Secretary advised that the motion was passed.

	FOR	%	AGAINST	ABSTAIN
3. Amend Constitution	3,175,353	96.96	99,446	-

The Company Secretary advised that the motion was passed.

CLOSURE (AGM 552)

There being no other business relating to the Annual General Meeting, the Chairman thanked shareholders for their attendance and attention to business and he then closed the meeting at 11.45am.