



23 May 2016

Dear Shareholder

Capilano Honey Limited ACN 009 686 435 (Company) – 1 for 10 Fully Underwritten Non-Renounceable Pro Rata Rights Issue

The Company announced on 23 May 2016 a 1 for 10 fully underwritten non-renounceable pro rata rights issue at an issue price of \$19.50 per new share (**New Share**) to raise approximately \$16.8 million (before transaction costs) (**Rights Issue**).

The Rights Issue is fully underwritten by Canaccord Genuity (Australia) Limited and Morgans Corporate Limited. Details of the potential effect of the underwriting arrangement on the Company, as well as the underwriting agreement itself, are set out in the offer document.

You will receive a copy of the offer document issued in connection with the Rights Issue (**Offer Document**) shortly. In accordance with section 708AA of the Corporations Act 2001, a prospectus is not required for this Rights Issue.

Any New Shares not acquired by eligible shareholders will be treated as shortfall shares and can be applied for by other eligible shareholders under the Top Up Offer, as described in the Offer Document, in excess of their respective entitlement of New Shares under the Rights Issue.

The net proceeds of the Rights Issue will be used primarily to

1. fund the Company's acquisition of beekeeping enterprises;
2. strengthen the Company's balance sheet by reducing debt and providing flexibility for further growth;
3. increase the Company's working capital to support business growth and new export market sales;
4. enable the Company to invest in select production efficiency upgrades and new product capabilities; and
5. enable the Company to implement a dedicated marketing budget supporting new product developments and export market growth.

All other required details of the Rights Issue are set out in the Offer Document and Appendix 3B that have been lodged with ASX on 23 May 2016. Both documents are available on the ASX's website (www.asx.com.au) and on the Company's website (www.capilano.com.au).

Summary of Key Information

Type of Offer	Fully underwritten non-renounceable pro rata 1 for 10 rights issue of approximately 859,712 ordinary shares to eligible shareholders that are in the share register of the Company as at the record date, being 7:00pm (Brisbane time) on 26 May 2016 (Record Date).
Offer Price	\$19.50 per New Share
Offer Ratio	1 New Share for every 10 existing shares held at the Record Date.
Non-renounceable	Your entitlements may not be sold on ASX or otherwise transferred.
Ranking of New Shares	The New Shares will be fully paid and will rank equally in all respects with the Company's existing ordinary shares.
Number of shares quoted on ASX	The number of fully paid ordinary shares in the capital of the Company (each a Share) to be quoted on ASX on completion of the Rights Issue, including all New Shares to be issued under the Rights Issue, will be approximately 9,456,833

Indicative Timetable*	
Announcement of Offer and lodgement of Appendix 3B, Cleansing notice under section 708AA(2)(f) and Offer Document with ASX	Monday, 23 May 2016
Notice of Offer sent to Shareholders	Tuesday, 24 May 2016
Shares quoted on an “ex-rights” basis**	Wednesday, 25 May 2016
Record date for determining eligibility of Shareholders to participate under the Offer	Thursday, 26 May 2016 7.00 p.m. (Brisbane time)
Offer Document and Entitlement and Acceptance Forms dispatched to Eligible Shareholders	Tuesday, 31 May 2016
Last date to extend Closing Date	Pre-open on Wednesday, 15 June 2016
Closing Date	Monday, 20 June 2016 5.00 p.m. (Brisbane time)
Expected commencement of trading of New Shares on a deferred settlement basis on ASX	Tuesday, 21 June 2016
Notify ASX of under subscriptions (if any)	Thursday, 23 June 2016
New Shares are issued, shareholder holding statements dispatched and deferred settlement trading ends	Monday, 27 June 2016
Normal trading of New Shares commences	Tuesday, 28 June 2016

* Dates and times are indicative only and subject to change. Subject to compliance with the ASX Listing Rules, the Company reserves the right to: (i) not proceed with the Rights Issue and return any applications moneys received without interest; or (ii) vary any of the dates and times above, including closing the offer of entitlements under the Rights Issue earlier or later than as stated above.

** Shares in the Company commence trading without the entitlement to participate in the Rights Issue.

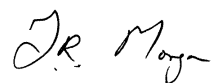
For further information of your entitlement under the Rights Issue or how to deal with your entitlements please refer to the Offer Document (which you will receive shortly) or contact the Company Secretary:

Address: 399 Archerfield Road, Richland, QLD 4077, Australia

Email: honey@capilano.com.au / Phone: +61 7 3712 8282 / Fax: +61 7 3712 8286 / Website: www.capilano.com.au

Taking up your entitlements under the Rights Issue and/or subscribing for additional New Shares under the shortfall offer, may have taxation, financial and other implications. If you are in any doubt as to how to deal with your entitlements, you should contact your stockbroker or other professional adviser.

Yours faithfully
CAPILANO HONEY LIMITED



Trevor Morgan
Chairman