

NOTICE OF MEETING

2016 ANNUAL GENERAL MEETING

Capilano Honey Limited ABN: 55 009 686 435

Notice is hereby given that the forty-fourth Annual General Meeting of Shareholders of **Capilano Honey Limited** ACN 009 686 435 (**CZZ** or **Company**) will be held at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland on Friday, 18 November 2016 commencing at 11.00am AEST.

AGENDA

Ordinary Business

Financial Statements and Reports

To receive and consider the Company's Financial Statements, Directors' Declaration and the Reports of the Directors and the Auditors for the year ended 30 June 2016.

Resolution 1 - Re-election of Beekeeper Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution for the purpose of filling one vacancy for the position of Beekeeper Director:

'That Mr Trevor Morgan, standing for re-election in accordance with ASX Listing Rule 14.4, and being eligible for re-election, be re-elected as a Beekeeper Director.'

Resolution 2 - Re-election of Independent Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution for the purpose of filling one vacancy for the position of Independent Director:

'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 under rule 111 of the Company's Constitution.'

Resolution 3 - Increase Total Aggregate Remuneration of Non-Executive Directors' Fees

To consider and, if thought fit, to pass the following resolution as an ordinary resolution for the purpose of increasing the total aggregate remuneration of Non-Executive Directors' Fees:

'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.'

The Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusion Statement' on page 4 of the Explanatory Memorandum.

Resolution 4 – Election of Independent Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution for the purpose of filling one vacancy for the position of Independent Director, subject to and conditional upon Resolution 3 being approved by shareholders:

'That Ms Julie Pascoe who stands for election in accordance with Rule 112 of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, be elected as an Independent Director of the Company.'

... Resolutions 5, 6 & 7 over page.

If you do not understand this notice or are in any doubt about the action you are required to take, you should consult your legal, financial or other professional advisor immediately.

NOTES:

Information about the resolutions appear in the Explanatory Memorandum.

An ordinary resolution is one which, to be passed, requires at least a simple majority of the votes cast by shareholders entitled to vote on the resolution, to vote in favour.

A special resolution is one which, to be passed, requires at least 75% of the votes cast by shareholders entitled to vote on the resolution, to vote in favour.

Voting on the resolutions will be by means of a poll in which shareholders are entitled to one vote per share. In accordance with the Company's Constitution, and the Corporations Act, including sections 250R and 250BD, a member who is entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy.

A proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes that each proxy is appointed to exercise.

If you wish to appoint a proxy and are entitled to do so, then complete and return the attached Proxy Voting Form.

A corporation may elect to appoint a representative, in accordance with the Corporations Act 2001, in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the Meeting.

INSTRUCTIONS

If you are unable to attend the Meeting and wish to vote, you are requested to complete and return the enclosed Proxy Voting Form by no later than 11.00am AEST on Wednesday, 16 November 2016.

If you are planning to attend the Meeting please complete and return the enclosed Attendance Form by no later than 5.00pm AEST on Friday, 11 November 2016 AND bring the Registration Form with you to the Meeting.



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AGENDA (continued)

▪ **Resolution 5 – Adopt Remuneration Report included in the Report of the Directors**

To consider and, if thought fit, to pass the following resolution as a non-binding 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.'

The Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusion Statement' on page 5 of the Explanatory Memorandum.

▪ **Resolution 6 - Approval of CZZ Long Term Incentive Plan**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'For the purposes of ASX Listing Rule 7.2 (Exception 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 certain persons. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusion Statement' on page 6 of the Explanatory Memorandum.

▪ **Resolution 7 - Approval of the issue of 30,000 Options to CZZ's Managing Director, Dr McKee for FYE 30 June 2017**

To consider and, if thought fit, to pass the following resolution 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 Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusion Statement' on page 9 of the Explanatory Memorandum.

Dated this TENTH day of OCTOBER 2016

By Order of the Board

CAPILANO HONEY LIMITED
Annette Zbasnik
Company Secretary

NOTICE OF MEETING

EXPLANATORY MEMORANDUM

Capilano Honey Limited ABN: 55 009 686 435

This Explanatory Memorandum is to be read with the Notice of Meeting issued by the Company.

This Explanatory Memorandum should be read in its entirety.

If Shareholders are in any doubt as to how they should vote on a Resolution, they should seek advice from their professional advisors.

ORDINARY BUSINESS

▪ **FINANCIAL STATEMENTS AND REPORTS**

The Corporations Act 2001 (Commonwealth) (**Act**) requires that the report of the Directors, the Auditor's report and the financial report be laid before the Annual General Meeting of the Company in respect of the financial year ended 30 June 2016 (**Meeting or AGM**). In addition, the Company's Constitution (**Constitution**) provides for such reports and statements to be received and considered at the meeting. Apart from the matters involving remuneration which are required to be voted upon, neither the Act nor the Constitution requires a vote of Shareholders at the Meeting on such reports or statements.

Following consideration of these reports the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management and audit of the Company. The external Auditor will be available at the Meeting to answer questions on the conduct of the Audit and the Independent Auditor's Report.

In addition to asking questions at the Meeting, Shareholders may address written questions to the Chairman about the management of the Company, or to the Company's Auditor which are relevant to:

- the content of the Auditors' Report to be considered at the Meeting; or
- the conduct of the audit of the annual financial report to be considered at the Meeting.

Pursuant to section 250PA of the Act, any written questions must be submitted to the Company Secretary no later than five (5) business days prior to the scheduled date of the Meeting. A list of questions submitted will be available at the Meeting.

▪ **RESOLUTION 1 - RE-ELECTION OF BEEKEEPER DIRECTOR**

In accordance with Rule 101A of the Company's Constitution, the Foundation Shareholder, Capilano Beekeepers Ltd (**CBL**), may appoint two Beekeeper Directors to the Board of Capilano Honey Limited from time to time by written notice to the Company. The Foundation Shareholder may then remove or substitute the Beekeeper Directors appointed under this rule by written notice to the Company.

Once appointed, the Beekeeper Directors are then subject to the rotation provisions detailed in ASX Listing Rule 14.4 on or before the third anniversary of their appointment / election.

Accordingly, Mr Trevor Morgan must retire by rotation at the Meeting and offers himself for re-election with the unanimous support of the Board.

➔ **Trevor Morgan, FAICD**

Mr Morgan has been a director since 1998, was Deputy Chairman from 2004 – 2005 and was elected Chairman in 2005. He is a second generation beekeeper with over 40 years' experience in honey production. He has been widely involved in industry matters for many years at both State and National level; serving on the South Australian Apiarist Association executive for more than 10 years, including two years as President. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Advanced Diploma.

Resolution 1 proposes the re-election of Mr Trevor Morgan as a Beekeeper Director. If re-elected under Resolution 1, Mr Trevor Morgan will be subject to the retirement provisions under the ASX Listing Rules.

Directors' recommendation

The directors (other than Mr Morgan) recommend that shareholders vote in favour of Resolution 1.

▪ **RESOLUTION 2 – RE-ELECTION OF INDEPENDENT DIRECTOR**

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.

➔ **Robert Newey, GAICD**

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.

Resolution 2 proposes the re-election of Mr Robert Newey as an Independent Director. If re-elected under Resolution 2, Mr Robert Newey will be subject to the retirement provisions under the Constitution.

Directors' recommendation

The Directors (other than Mr Newey) recommend that shareholders vote in favour of Resolution 2.

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

In accordance with Rule 114 of the Company's Constitution and ASX Listing Rule 10.17, a resolution to increase the total aggregate remuneration of non-executive directors' fees by \$203,115 from \$341,885 to \$545,000 (excluding the Managing Director, Superannuation Guarantee Contribution and Insurance Premiums) is proposed.

There have been no increases to the total aggregate remuneration of non-executive directors' fees since the 2004 AGM.

The proposed increase to the total aggregate remuneration of non-executive director fees, includes the directors fees which are proposed to be paid to Ms Pascoe should she be elected as an independent director of the Company (see Resolution 4), and also provides the Board with the flexibility to appoint another non-executive director, allowing for better transition to succession and broadening the skill base of the Board collectively.

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

As detailed in the 2016 Annual Report, the total amount paid for non-executive directors' fees for the 2015/16 year was \$339,280, distributed as follows:

Chairman	\$130,000
Non-Executive Directors	\$69,760 each (x3)

No securities have been issued to non-executive directors at any time within the preceding 3 years.

Resolution 3 proposes the increase of the total aggregate amount of non-executive directors' fees to \$545,000, excluding the Managing Director, Superannuation Guarantee Contribution and Insurance Premiums.

Directors' recommendation

As the Directors have an interest in this Resolution they will abstain from offering a recommendation for Resolution 3.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 3 by Directors or their associates.

However, the Company need not disregard a vote if:

- it is cast by a person for a person who is entitled to vote, in accordance with the directions on the proxy form;
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 4 – ELECTION OF INDEPENDENT DIRECTOR

Resolution 4 is subject to, and conditional upon shareholders approving Resolution 3 to increase the total aggregate remuneration of non-executive directors' fees payable to the non-executive directors of the Company.

To ensure that the Board is comprised of individuals that have an appropriate mix of qualifications, skills and experience to enable the Board to effectively discharge its responsibilities, facilitate effective discussion and decision-making, as well as ensure transition to succession, the Board resolved to increase the number of directors serving on the Board in line with Rule 102 of the Company's Constitution.

Executive employment agency, Korn Ferry was engaged to identify potential candidates, and following an extensive selection and interview process, the Board appointed Mrs Julie Pascoe as an Independent Director of the Company on 7 October 2016.

In accordance with Rule 112 of the Company's Constitution and ASX Listing Rule 14.4, Mrs Pascoe is required to stand for election at this AGM.

→ Julie Pascoe,

BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert)

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 worked 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

Resolution 4 is subject to, and conditional on the approval of Resolution 3 by the Company's shareholders. Resolution 4 proposes the election of Mrs Julie Pascoe as an Independent Director. If elected under Resolution 4, Mrs Pascoe will be subject to the retirement provisions under the Constitution.

Directors' Recommendation

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

NOTE TO RESOLUTIONS 3 & 4 - BOARD COMPOSITION

If Resolutions 3 and 4 are approved by shareholders, the number of Directors will increase from five to six, comprising one Executive Director and five Non-Executive Directors.

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RESOLUTION 5 – ADOPT REMUNERATION REPORT INCLUDED IN THE REPORT OF THE DIRECTORS

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 16-21 of the Company's Annual Report for the financial year ended 30 June 2016 (**Annual Report**).

Resolution 5 proposes the adoption of the Remuneration Report set out on pages 16-21 of the 2016 Annual Report as required by section 250R(3) of the Act.

Directors' recommendation

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.

Voting Exclusion Statement

In accordance with sections 250R and 250BD of the Corporations Act 2001, a vote on Resolution 5 must not be cast (in any capacity) by, or on behalf of, a member of the key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member (including close family members and companies that the key management personnel controls).

However, a person described above may cast a vote on Resolution 5 as a proxy if the vote is not cast on behalf of a person described above and either:

- the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- it is cast by the person chairing the Meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

"Key management personnel" and "closely related party" have the same meaning as set out in the Corporations Act.

Further details regarding proxy voting are set out in the Proxy Voting Form accompanying this Notice of Meeting.

Note

If there is a vote of 25% or more against the Remuneration Report at an AGM, and another vote of 25% or more against at the next AGM, then a resolution will be put at the latter AGM to put the Board (other than the Executive Chairman) up for re-election (**Spill Resolution**). If the Spill Resolution passes, then the Company must hold a Spill Meeting within 90 days at which all Directors (other than the Executive Chairman) who were Directors at the time the Remuneration Report received the second strike will retire and may re-submit themselves for re-election.

RESOLUTION 6 – APPROVAL OF CZZ LONG TERM INCENTIVE PLAN

Background

On 5 August 2016, the Company adopted the terms of the CZZ Long Term Incentive Plan (**Plan**). The Plan is designed to assist with the attraction, motivation and retention of relevant employees of the CZZ group, align the interests of those employees and shareholders by matching rewards with the long term performance of CZZ.

ASX Listing Rules

ASX Listing Rule 7.1 provides that prior approval of the Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.2 (Exception 9) sets out an exception to ASX Listing Rule 7.1. This rule provides that issues under an employee incentive scheme are exempt for a period of three years if shareholders approve the issue of securities under the scheme for the purposes of ASX Listing Rule 7.2 (Exception 9).

Approval of Resolution 6 will mean that for a period of three years following the date of this Meeting, any issues or transfers of securities under the Plan will be excluded from the calculation of the Company's 15% issue capacity under ASX Listing Rule 7.1.

Summary of the Plan

In accordance with ASX Listing Rule 7.2 (Exception 9), a summary of the key terms of the Plan are set out below. The Plan is designed to:

- provide eligible employees with an additional incentive to work to improve the performance of CZZ;
- attract, retain and motivate those eligible employees that are essential for the continued growth and development of CZZ;
- promote and foster the loyalty and support of eligible employees for the benefit of CZZ;
- enhance the relationship between CZZ and eligible employees for the long term mutual benefit of all parties; and
- provide eligible employees with the opportunity to acquire options in CZZ as part of the remuneration for their services.

Under the Plan:

- **Board discretion** – the Plan provides the Board with discretion to offer options (**Options**) to acquire by issue fully paid ordinary shares in the Company (**Shares**) to eligible employees of the Company (being a full-time or part-time employee of the CZZ group or a director who holds a salaried employment or other salaried office in the CZZ group).
- **Terms of grant** – a grant of Options is subject both to the rules of the Plan and the terms of the specific grant. Each Option delivers to the holder a right to acquire a Share at a future date, subject to vesting conditions being satisfied and payment of the exercise price. Upon exercise, each Option entitles the holder to the issue of one Share (subject to adjustment in certain circumstances as permitted by the ASX Listing Rules and the Plan).

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Resolution 6 continued:

- **Vesting conditions** – subject to the terms of the Plan, the vesting and exercise of Options is conditional on the satisfaction of the vesting conditions set out in the terms and conditions of the specific grant. The vesting conditions will be set from time to time by the Board and, as applicable, disclosed each year in the Company's Annual Report.
- **Exercise price** – the exercise price will be calculated in accordance with the terms and conditions of the specific grant of Options and adjusted in accordance with the rules of the Plan.
- **Exercise of Options** – the Board will prescribe a date or dates on which the Options become exercisable. Subject to the Plan, on or after the prescribed date, and provided all other vesting and exercise conditions prescribed by the Board have been achieved and the Options have not otherwise lapsed, the relevant holder of Options may acquire Shares by exercising the Options and paying the exercise price.
- **Reorganisations and bonus issues** – a holder's entitlement to Shares under an Option will be adjusted to take account of bonus issues as if the Option had been exercised before the determination of entitlements in respect of those issues. The exercise price of the Option will be adjusted in certain circumstances, in accordance with a formula prescribed by the ASX Listing Rules. In the case of reorganisation of the issued capital of the Company, the entitlement to Shares under an Option will be adjusted as required by the ASX Listing Rules from time to time.
- **Early exercise** – early exercise of Options may be permitted at the discretion of the Board or in the event of a change in control of the Company or in connection with a takeover, scheme of arrangement or winding-up of CZZ, subject to the Board's approval.
- **Lapse and forfeiture** – an Option will lapse if it is not exercised within the exercise period determined by the Board on grant. However, in the case of death or cessation of employment, the lapse date may be brought forward. Lapse or forfeiture may also occur in other circumstances, including where there is dishonesty, fraud or breach of duty by a Plan participant.
- **Restrictions on transfer** – an Option granted to a Plan participant is only exercisable by the participant or their legal personal representative. Options are not transferable, except with express approval of the Board or by force of law.
- **Restriction on disposal of Shares** – the Board may impose a restriction on disposal of Shares issued on exercise of an Option.

As at the date of this Notice of Meeting, no securities have been issued under the Plan.

Copies of the Company's Long Term Incentive Plan Rules are available on the Company's website at www.capilano.com.au and at the Company's registered office at 399 Archerfield Road, Richlands, Queensland 4077.

Resolution 6 seeks Shareholder approval (for the purposes of ASX Listing Rule 7.2 (Exception 9)) for the issue and transfer of securities under the Plan.

Directors' Recommendation:

The Non-Executive Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 6.

The Company's sole executive Director (namely, Dr McKee) does not make a recommendation in respect of Resolution 6 in view of his prospective participation in the Plan.

Voting Exclusion Statement

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on Resolution 6:

1. Dr McKee (and any associate of Dr McKee). However, the Company need not disregard a vote if:
 - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
2. Any Key Management Personnel (KMP) member (and any closely related party of a KMP Member) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 6, unless:
 - the proxy is the Chairman of the Meeting; and
 - the proxy appointment expressly authorises the Chairman to exercise the proxy even if that resolution is connected directly or indirectly with the remuneration of a KMP member.

RESOLUTION 7 – APPROVAL OF THE ISSUE OF 30,000 OPTIONS TO CZZ'S MANAGING DIRECTOR, DR MCKEE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Background

On 5 August 2016, the Company adopted the terms of the CZZ Long Term Incentive Plan (**Plan**). On 7 October 2016 the Company resolved, subject to shareholder approval, to grant 30,000 Options to purchase 30,000 Shares in the Company to Dr McKee under the Plan as part of his remuneration package for the financial year ended 30 June 2017.

As with all other executives of the Company, the performance of Dr McKee has been reviewed under the Company's performance review process. That review process has led to a recommendation to seek Shareholder approval to grant the Options.

The Non-Executive Directors of the Company have concluded that the remuneration package for Dr McKee for the financial years ended 30 June 2017, including the proposed grant of Options to Dr McKee, is reasonable and appropriate having regard to the circumstances of the Company and Dr McKee's duties and responsibilities.

Resolution 7 continued:

The number of Options to be issued to Dr McKee under the Plan for the financial years ended 30 June 2017 has been determined by the Company having regard to the AIM Salary Survey together with the remuneration and incentivisation of executives holding similar positions to Dr McKee in comparable listed companies in Australia.

The Company has determined that the value of the Options, according to the Black Scholes Options Valuation are \$212,100 (\$7.07 per share) is a reasonable incentive in the circumstances.

ASX Listing Rules

ASX Listing Rule 10.14 prohibits a listed company from issuing equity securities under an employee incentive scheme to a director without the approval of the company's shareholders.

Accordingly, as Dr McKee is a director of the Company, Resolutions 7 seeks Shareholder approval for the purposes of ASX Listing Rule 10.14 for the issue of the Options to Dr McKee under the Plan.

Resolution

Resolution 7 is subject to the approval by Shareholders of the Long Term Incentive Plan proposed in Resolution 6;

ASX Listing Rule 10.15 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rule 10.14 for this Resolution.

The maximum number of Options to be issued to Dr McKee if Shareholders approve this Resolution is 30,000.

- The Options will be issued at no cost to Dr McKee. Once the performance hurdles are satisfied (or waived), the Options will be exercisable at a price of \$21.00 per Option, being the closing price as at 30 June 2016.
- The Plan is subject to approval by the Company's Shareholders, as per Resolution 6. Accordingly, no persons referred to in ASX Listing Rule 10.14 have received securities under the Plan.
- Dr McKee, being the only director of CZZ who holds a salaried employment position is the only director of CZZ eligible to participate in the Plan.
- No loan will be provided by the Company in relation to the grant or exercise of the Options to be provided to Dr McKee.
- If Shareholders approve this Resolution 30,000 Options will be issued to Dr McKee by no later than 12 months after Shareholders approve this Resolution.

Terms of the Options

A summary of the key rules of the Plan under which the Options will be issued (if approved by Shareholders) is set out above in the Explanatory Memorandum for Resolution 6.

The key terms of the Options to be granted to Dr McKee if Resolution 6 is approved by Shareholders are as follows:

- Vesting conditions

Vesting of 50% of the Options granted to Dr McKee (**TSR Tranche**) will be subject to performance conditions based on the Company's relative total shareholder return (**TSR**) performance during the Performance Period (being the period from 1 July 2016 until 30 June 2019).

Vesting of the remaining 50% of the Options (**EPS Tranche**) will be subject to performance conditions based on the average compound annual growth in the Company's earnings per Share (**EPS**) during the Performance Period.

- TSR performance condition

The Company's TSR performance (expressed as a percentage) will be tested at the end of the Performance Period against that of each of Huon Aquaculture Group Ltd, Tassal Group Ltd, Select Harvests Ltd, Webster Limited, Bega Cheese Limited and Warrnambool Cheese and Butter Factory Company Holdings Ltd (**Comparator Group**) or based on an appropriate comparator group as determined by the Board in its absolute discretion.

For any TSR Tranche Options to vest at the end of the Performance Period, the Company must have achieved a percentile ranking in the Comparator Group (**TSR Ranking**) of at least the 60th percentile, as determined by ranking the Company's TSR performance (expressed as a percentage) during the Performance Period against the TSR of each entity in the Comparator Group for the same period (**TSR Target**).

Vesting of TSR Tranche Options

If the Company achieves a TSR Ranking at or above the TSR Target at the end of the Performance Period, the number of TSR Tranche Options that will vest will be determined by the Board in accordance with the following vesting scale:

Company's TSR ranking	% of Options in the TSR Tranche satisfying the TSR performance condition
Below the 60th percentile	0%
At the 60th percentile	25%
Between the 60th percentile and the 90th percentile	Between 25% and 100%, as determined on a pro rata, straight line basis
At or above the 90th percentile	100%

The share prices used to calculate the respective TSR performance of the Company and each entity in the Comparator Group will be measured as follows:

- for the Company, the opening share price will be the closing price of the Company's Shares as traded on ASX on 30 June 2016 and, for each entity in the Comparator Group, the opening share price will be the volume weighted average price (**VWAP**) of the entity's ordinary securities traded on ASX for the 20 trading days prior to the close of trading on ASX on 30 June 2016; and
- for the Company and each entity in the Comparator Group, the closing share price will be the VWAP of the entity's ordinary securities traded on ASX for the 20 trading days up to and including the end of the Performance Period.

Resolution 7 continued:

- EPS performance condition

The Company's EPS performance will be tested at the end of the Performance Period having regard to the Company's EPS performance at the end of each financial year (ie, 30 June) during the Performance Period.

Vesting of EPS Tranche Options

If during the Performance Period the Company achieves compound annual growth in EPS at or above Forecast EPS Growth, the number of Options in the EPS Tranche Options that will vest will be determined by the Board in accordance with the following vesting scale:

Company's compound annual growth in EPS	% of Options in the EPS Tranche Options satisfying the EPS performance condition
Less than Forecast EPS Growth	0%
Forecast EPS Growth	30%
Above Forecast EPS Growth but less than Forecast EPS Growth + 10%	Between 30% and 100%, as determined on a pro rata, straight line basis
At or above Forecast EPS Growth + 10%	100%

For the purposes of this performance condition, the Company's compound annual growth in EPS will be calculated in the manner determined by the Board.

- Share price condition

No Options granted to Dr McKee will vest unless, on the date that the Board determines whether (and, if so, the extent to which) the TSR and EPS-based performance conditions detailed above have been satisfied, the VWAP of the Company's Shares traded on ASX calculated over the last 5 trading days on which sales in Shares were recorded is 101% or more of the exercise price, or such other percentage as determined by the Board at that time.

- Exercise Period

The Options may be exercised during the period:

- commencing on the date the Company issues a Vesting Notice for those Options (or any later date specified in the Vesting Notice); and
- ending on 30 June 2024 (**Last Exercise Date**).

- Lapse of Options on cessation of employment in certain circumstances

If Dr McKee ceases to be employed due to termination for cause, any and all unvested Options held at the time will lapse on the date of cessation of employment. If Dr McKee gives notice of resignation from his employment in circumstances where, in the Board's opinion, the CZZ group company was entitled to terminate Dr McKee's employment without notice or payment in lieu of notice or for actual or alleged misconduct, any and all unvested Options held by Dr McKee at that time will lapse on the date of cessation of employment.

If Dr McKee ceases to be employed for any reason that does not result in the lapse of all of his unvested Options, a pro rata portion of any unvested Options held at that time will lapse on the date of cessation of his employment, unless the Board determines otherwise. The portion of unvested Options that will lapse will be calculated based on the proportion of the total performance period for which Dr McKee will not be employed within the CZZ group.

Any unvested Options that do not lapse as a result of Dr McKee ceasing to be employed within the CZZ group will continue to be held.

- Lapse of Options in other circumstances

If the Board determines that the vesting conditions have not been, or are not capable of being, met in respect of any Options granted to Dr McKee, the Options will lapse. In addition, some or all of any Options held by Dr McKee (including vested Options) may lapse in various other circumstances under the Plan. For example, the Board may determine that some or all of any Options held by Dr McKee will lapse where, in the Board's opinion, Dr McKee has committed an act of fraud, misappropriation or other serious misconduct, or has materially breached his obligations to, or any policy of, the Company (or any other company in the CZZ group).

- No dealings in Options

Dr McKee is prohibited from transferring, granting any security interest over or otherwise dealing in Options issued under the Plan, except in very limited circumstances. Further, Dr McKee may not enter into any transaction, scheme or other arrangement that hedges or otherwise limits or affects his economic exposure to the Options before they become vested Options.

- Treatment of Options on a corporate control event

The Board has determined that, subject to all applicable laws, if a 'Corporate Control Event' (as defined in the Plan Rules) occurs that involves, or has resulted in, a person acquiring voting power of more than 50% in the Company, 20% of the unvested Options issued to Dr McKee will be taken to have become vested Options (and the outstanding vesting conditions will be waived) from the date on which the person's voting power in the Company increases from below to above 50% (as disclosed in the relevant substantial holding notice).

In the Board's view, the vesting conditions that must be satisfied before Options vest and become exercisable link the ultimate value of the Options to the continued growth of the Company's earnings and shareholder returns and therefore provide a major incentive for Dr McKee to ensure the Company continues its superior performance.

NOTICE OF MEETING

EXPLANATORY MEMORANDUM

Capilano Honey Limited ABN: 55 009 686 435

Resolution 7 continued:

Acceleration of Vesting on Corporate Control Event

Under sections 200C of the Act, a company may only give a person a benefit in connection with the transfer of the whole or any part of the undertaking or property of the company if it is approved by shareholders in accordance with the requirements set out in the Act.

The term 'benefit' is open to a wide interpretation and may include the early vesting of Options under the Plan in the event of a 'Corporate Control Event' which, or has resulted in, a person acquiring voting power of more than 50% in the Company. Early vesting may also occur upon the death of a participant under the Plan, or upon the participant otherwise ceasing to be employed by the CZZ group.

Early vesting of the Options to be granted to Dr McKee, should this Resolution be approved by Shareholders in any of the above circumstances may amount to the giving of a termination benefit, requiring shareholder approval in accordance with the Act. Accordingly, shareholder approval is also sought for any such benefit which Dr McKee may receive under the Plan.

The value of the Options that may be subject to early vesting cannot currently be ascertained. The circumstances that may affect the calculation of this value include:

- the market price of CZZ Shares at the relevant time;
- the vesting conditions which have been satisfied at the relevant time;
- the part of the vesting period which has elapsed at the relevant time; and
- the number of Options that lapse at the relevant time.

Other Information

- The Company will not apply to the ASX for official quotation of the Options granted under the Plan. Shares issued on exercise of the Options will rank equally with Shares then on issue.
- Dr McKee is prohibited from hedging the share price exposure in respect of the Options during the vesting period applicable to those Options.

Resolution 7 seeks Shareholder approval for the purposes of ASX Listing Rule 10.14 and for all other purposes for the grant of Options to Dr McKee under the Plan as described above.

Directors Recommendation

The Non-Executive Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 7.

The Company's sole executive Director (namely, Dr McKee) does not make a recommendation in respect of Resolution 7 in view of his prospective participation in the Plan.

Voting Exclusion Statement

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on Resolution 7 by:

1. Dr McKee (and any associate of Dr McKee).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Any KMP member (and any closely related party of a KMP member) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 7, unless:

- the proxy is the Chairman of the Meeting; and
- the proxy appointment expressly authorises the Chairman to exercise the proxy even if that resolution is connected directly or indirectly with the remuneration of a KMP member.



NOTES



Office use only: Slip No: _____ No. of Shares: _____

NOTICE OF MEETING

PROXY VOTING FORM

Capilano Honey Limited ABN: 55 009 686 435

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an 'X'

Step 1: APPOINT A PROXY

I/We being a member(s) of Capilano Honey Limited and entitled to attend the Meeting and vote hereby appoint:

☐

The Chairman
of the meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at 11.00am AEST on Friday, 18 November 2016, at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes QLD 4300 and at any adjournment or postponement of the Meeting.

Important for Resolutions 3, 5, 6 & 7: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 3, 5, 6 & 7 even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of Business.

Step 2: VOTING DIRECTIONS

ORDINARY BUSINESS

	For	Against	Abstain
Resolution 1: Re-elect Beekeeper Director- Trevor Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: Re-elect Independent Director - Robert Newey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3: Increase Total Aggregate Remuneration of Non-Executive Directors' Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4: Elect Independent Director – Julie Pascoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5: Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6: Approve CZZ's Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: Approve issue of Options to CZZ's Managing Director, Dr McKee for the FYE 30/06/2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a vote taken by poll.

Step 3: SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



NOTICE OF MEETING

HOW TO COMPLETE & LODGE PROXY VOTING FORM

Capilano Honey Limited ABN: 55 009 686 435

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your Shares using this form.**

Appointment of a Proxy

If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

Default to Chairman of the Meeting

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolution is connected directly or indirectly with the remuneration of key management personnel.

Votes on Items of Business – Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your Shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Voting Form may be obtained by telephoning the Company or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Voting Form and the second Proxy Voting Form state the percentage of your voting rights or number of Shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both duly completed forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the Company's Share Registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the shareholder is a company that has a sole Director who is also the sole Company Secretary, this form must be signed by that person. If that company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by each signatory in the appropriate place.

Corporate Representatives

If a representative of the company is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company.

Lodgement of a Proxy Voting Form

This Proxy Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by no later than **11:00am AEST on Wednesday, 16 November 2016** being not later than 48 hours before the scheduled time and date for the commencement of the Meeting. Any Proxy Voting Form received after that time will not be valid for the Meeting.

Proxy Voting Forms may be lodged:

by mail: Capilano Honey Limited
PO Box 531
Inala QLD 4077

by fax: +61 7 3712 8287 (Company)

by email: a.zbasnik@capilano.com.au

by hand: delivering it to Capilano Honey Limited
399 Archerfield Road, Richlands QLD 4077

Attending at the Annual General Meeting

If you would like to attend and vote at the Annual General Meeting, please:

1. Complete and return the enclosed Attendance Form (refer page 13); and
2. Bring the Registration Form (refer page 14) with you on the day to assist with registration and collection of voting papers.



Office use only: Slip No: _____ No. of Shares: _____

NOTICE OF MEETING ATTENDANCE FORM / RSVP

Capilano Honey Limited ABN: 55 009 686 435

The Company Secretary
Capilano Honey Limited
PO Box 531
INALA Q 4077

RSVP – CZZ 2016 ANNUAL GENERAL MEETING

Shareholder:

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To assist with the preparation of voting papers and catering, please complete and return this form by 5.00pm AEST on Friday, 11 November 2016.

RSVP

by no later than 5.00pm AEST on Friday, 11 November 2016.

by mail:

Capilano Honey Limited
PO Box 531
Inala QLD 4077
Australia

by fax:

+61 7 3712 8287

by email:

a.zbasnik@capilano.com.au

by hand:

delivering it to
Capilano Honey Limited
399 Archerfield Road
Richlands QLD 4077

Insert number of people attending:

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Insert names of people attending:

If you have more than one holding please insert the Shareholder Number of each holding

ENQUIRIES

All enquiries to: +61 7 3712 8282



NOTICE OF MEETING

2016 ANNUAL GENERAL MEETING REGISTRATION FORM

Capilano Honey Limited ABN: 55 009 686 435

➡ please bring this page with you to the AGM, as the shareholder information is required to Register and Collect your voting papers for the meeting.

Date: Friday, 18 November 2016

Time: 10.00am - Registration / Morning Tea
11.00am - AGM - Capilano Honey Limited

Venue: Spring Lake Hotel & Function Centre
Spring Lake Metro
1 Springfield Lakes Boulevard
Springfield Lakes QLD 4300

Enclosed: Notice of Meeting
Explanatory Memorandum
Proxy Voting Form
Attendance Form
Registration Form

Deadlines: *Attendance Form:* to be received by 5.00pm AEST on Friday, 11 November 2016

Proxy Voting Form: to be received no later than 11.00am AEST on Wednesday, 16 November 2016

Registration Form: Please bring this page with you on the day to assist with collection of voting papers.

Directions: from city / airport

- take the Centenary Motorway to Springfield Lakes
- take the Springfield Parkway exit [exit 31]
- take the 2nd exit at the roundabout

Carpark & entry to Spring Lake Hotel & Function Centre is located behind the McDonalds)

City / Airport

