



ANNOUNCEMENT - ASX Listing Update -

Capilano Honey Limited (CHL) has, on 11 May 2012, applied for listing on the ASX. The application follows advice from BSX about impending changes to the BSX which required CHL to consider listing on another exchange.

Attached is the Information Memorandum lodged with CHL's ASX listing application.

In preparation for listing on ASX, CHL has applied for, and obtained, preliminary advice from ASX and, on 4 May 2012, CHL shareholders approved certain changes to CHL's constitution. CHL expects that ASX listing will occur in June 2012 and will keep the market and BSX updated on the listing timetable.

As a result, in accordance with BSX Listing rule 10.17, CHL has requested that it be removed from the BSX official list, with removal from the BSX at close of business on the trading day immediately before the day trading commences on the ASX. Shares will be placed into suspension ten trading days prior to removal from the BSX, to allow for all share trades to be finalised. We will inform the BSX once the relevant date is known.

A handwritten signature in black ink, appearing to read 'R D Masters', is positioned above the printed name.

R D Masters
Managing Director



Information Memorandum

for the listing of Capilano Honey Limited ACN 009 686 435
on the Australian Securities Exchange

Capilano's Mission Statement

- to enhance Shareholder prosperity through leadership in the marketing of honey and other foods and FMCG's in Australia and selected overseas markets by achieving excellence in customer service; product quality; and product innovation;
- to continue a commitment to employee career development and well-being; and
- to be an ethical and responsible member of the community and act in a manner conducive to the welfare and protection of the environment.

Corporate Culture and Corporate Objectives

Capilano's corporate culture and objectives aim to:

- recognise, aim for, and encourage high ethical standards;
- encourage responsible and courteous relationships with staff, Shareholders and all who have contact with the Company;
- achieve profitability through good planning funded by adequate profit retention;
- enhance Shareholder prosperity;
- provide adequately for employee well-being through a rewarding, safe and harmonious workplace;
- satisfy the expectations of customers and consumers through product quality, safety and innovation; and
- protect Shareholders and all stakeholders in the Company by implementing appropriate compliance procedures and corporate governance.

Important Notice

This Information Memorandum is dated 11 May 2012 and is issued in conjunction with the application by Capilano Honey Limited to have its Shares listed on the Australian Securities Exchange (ASX). ASX takes no responsibility as to the contents of this Information Memorandum.

The assumptions underlying any forward looking statements and the risk factors that could affect the financial performance of the Company should be examined. Potential investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in CHL. The Information Memorandum does not take into account the investment objectives, financial situation and particular needs of investors.

This document is not a prospectus. It will not be lodged with the Australian Securities & Investments Commission ("ASIC"). No securities will be allotted or issued on the basis of this Information Memorandum. However, all the information that would be required under section 710 of the Corporations Act, if the Information Memorandum were a prospectus offering for subscription the same number of securities for which quotation on the ASX will be sought, is contained in the Information Memorandum. The fact that the ASX may admit the Company to its official list is not to be taken in any way as an indication of the merits of the Company.

No securities will be allotted or issued on the basis of this Information Memorandum.

A supplementary Information Memorandum will be issued if the Company becomes aware of any of the following between the issue of this Information Memorandum and the date the Company's securities are quoted:

- A material statement in the Information Memorandum is misleading or deceptive.
- There is a material omission from the Information Memorandum.
- There has been a significant change affecting a matter included in the Information Memorandum.
- A significant new circumstance has arisen and it would have been required to be included in the Information Memorandum.

The Company has not raised any capital for the 3 months before the date of issue of this Information Memorandum and will not need to raise any capital for 3 months after the date of issue of the Information Memorandum.

The Company is a disclosing entity under the Law and is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

A number of terms and abbreviations used in this Information Memorandum have defined meanings, which appear in the "Defined Terms" section.

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CHAIRMAN'S LETTER

Dear Investor

Capilano Honey Limited is the largest packer and marketer of honey in Australia. Over its near 60 year history, Capilano has grown from its co-operative roots, distributing product to grocery stores around Brisbane, to become a widely recognised brand in Australia. Capilano has a market share of over 40% in retail honey sales in Australia's supermarkets and an international presence through its honey exports.

The last two years have seen substantial change to Capilano's business following a shift in the exchange rate environment and changes to the world economy affecting the finance environment. Capilano had maintained its marginal export markets for the benefit of its Supplier Shareholders waiting for the worst drought in 100 years to break and a honey surplus to return. Capilano responded to the changes in its business environment by exiting selected export markets, releasing working capital to reduce debt and focusing on a strategy of being the lowest cost honey packer in a more competitive market. It changed its Constitution to put Capilano more in line with other publicly listed companies where all shareholders have equal rights in determining outcomes.

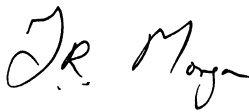
Capilano is now more focused on the Australian market with 75% of the Company's \$63.2 million revenue in the year ended 30 June 2011 comprising sales to the local market, with the balance being exports to 33 countries. Capilano's honey is sourced primarily from producers that are also Capilano shareholders, holding supply agreements with the Company. Our supply chain management is focused on balancing supply with demand from profitable markets.

The Board and Management of Capilano are encouraged by the strong performance of the Company over the past two years. The result for the 2011 financial year was a net profit after tax of \$4.47 million. For the half year ended 31 December 2011 net profit before tax was \$1.73 million and net profit after tax was \$1.23 million.

In June 2004, Capilano listed on the Bendigo Stock Exchange to enable beekeeper shareholders to trade their shares and to provide the opportunity for other parties to invest in Capilano.

This Information Memorandum has been prepared to support an application for Capilano to now be listed on the Australian Securities Exchange. No shares are being offered under this Information Memorandum.

Yours faithfully



T R Morgan
Chairman

1. BUSINESS OVERVIEW

1.1 Highlights

Capilano (CHL) was established in 1953 and has grown to be the largest packer and marketer of honey in Australia. CHL's honey is supplied to retail and industrial users in Australia and a range of export markets. With revenues of \$63.2 million in the 2011 financial year, local sales represented 75% of turnover and the balance of 25% export sales.

CHL's honey is sourced primarily from producers who are also CHL shareholders (Supplier Shareholders) holding supply agreements with CHL. This ordinarily ensures CHL has access to the volume and variety of honey sufficient to meet its domestic needs. Supplier Shareholders benefit from knowing an agreed volume from their production will be purchased by CHL at a price which may vary according to market conditions. These arrangements are complimented by our strategic alliance with Honey Max s.a, the largest honey trader in Argentina, who has access to the Argentine honey crop. Under this arrangement, should Australian domestic honey supply fail to meet CHL's requirements then additional product can be imported to meet its market needs.

CHL supplies honey to the domestic and international markets under a range of brands, primarily Capilano brand but also Allowrie and Farmers Union. CHL was a major participant in the Canadian honey market between 2003-2010 but a combination of reduced Australian honey supply due to drought, and the strength of the Australian dollar necessitated an exit from marginal export activities. This enabled a reduction of debt used to fund the development of export markets. Export activities are now centered on South East Asia, the Middle East and to a much lesser extent, Canada.

1.2 Growth, outlook and opportunities

The honey market in Australia is mature. However, recent data indicates that the honey category in supermarket retailers (excluding ALDI) grew 8.5% by volume on a moving annual total (MAT) basis (source AC Nielsen 13/11/11).

Predictions are that global honey demand will rise to 1.9 million tonnes by 2015 driven by increasing awareness levels and health consciousness among consumers, leading to increasing demand for healthy and natural food products. CHL has positioned some of its products as 'Honey in Sport' to benefit from this trend. While health consciousness may drive some growth in demand in Australia the key factors having a bearing upon CHL's outlook include:

- The continued availability of adequate volumes of quality honey for processing and packing at attractive prices;
- The capacity to take up further private label production, which it reduced during the drought period;
- The continued support of the major retailers of the Capilano brand; and
- Retention of key export markets to drive sales growth should conditions become more favourable.

1.3 Major activities and financial information

The major activities of the company relate to the purchase of honey and wax from its Supplier Shareholders and other suppliers, together with the marketing, packing processing and sale of its products in local and export markets. Non honey products such as golden syrup or molasses also may be packed and sold, subject to the agreement of suitable commercial terms.

CHL's main honey packaging, warehousing and distribution facility is in Richlands, Queensland. A secondary plant is held as a backup in Maryborough, Victoria. Both locations are close to the main honey producing regions of eastern Australia. Supply agreements with Supplier Shareholders provide access to raw materials, either delivered direct to the factory or to depots through regional Australia.

CHL packs honey into retail packs for sale to supermarket retailers both in Australia and overseas. CHL also sells bulk honey in drums or IBC's to industrial users in Australia and overseas. The company has a history of innovating in packaging eg Twist 'n Squeeze and Upside Down packs, in order to enhance marketing and sales opportunities. CHL makes its own retail packs using PET equipment at Richlands.

CHL's market share in supermarkets in Australia is estimated at over 40% (AC Nielsen Scan Data) and it exports to 33 different countries.

In the aftermath of the Global Financial Crisis (GFC) there was a general re-assessment of bank LVR's and assets values. It led to a request by CHL's bank for a reduction in debt of \$10 million in the 12 months to 30 June 2010. This was done largely through the release of working capital by exiting marginal export markets. In addition, surplus assets were divested and a capital raising completed. The exiting of marginal export markets in 2010 necessitated a non cash write-down of intangible assets by \$5.1 million and write-off of inventory of \$0.2 million. The change to our business model led to a reduction in staffing requirements and a redundancy charge of \$0.2 million. The remaining investment held in Comvita Limited was sold in a depressed market at a loss of \$0.1 million and the proceeds were also applied to debt reduction. A \$2.36 million capital raising was completed following shareholder approved changes to the Company's Constitution. The total cost of this capital raising was \$0.7 million.

CHL's Financial Performance for 2009-2012, Balance Sheet and some key ratios are shown in figures 1, 2 and 3 on page 4.

The Company has enough working capital to carry out its stated objectives.

1.4 Directors and Key Managers

For fuller details of the Directors and Key Managers refer to Section 4.

- **Trevor R. Morgan**, FAICD
*Chairman, Non Executive Director
Commercial Apiarist*

Mr Morgan has been a director since 1998, was elected Deputy Chairman in 2004 and Chairman in 2005. He is a second-generation beekeeper with over 30 years experience in honey production. He is a Fellow of the Australian Institute of Company Directors.

1. BUSINESS OVERVIEW

1.4 Directors and Key Managers (continued)

- **Phillip F. McHugh**
*Deputy Chairman, Non Executive Director
Commercial Apiarist*
Mr McHugh has been a director since 1993. He is well known in the NSW apiculture industry and his family have been CHL Shareholders since 1975.
- **Roger D. Masters**, B.Com, MBA, CA, FAICD
Managing Director
Mr Masters was appointed by the Board as Managing Director in 1996. He has a Bachelor of Commerce Degree, a Masters Degree in Business Administration, an Associate of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.
- **Simon L. Tregoning**, B.Com
Independent Non-Executive Director
Mr Tregoning has been a director since 2006. He is also a director of Grain Corp, and St Lukes Care. He was formerly a director of Australian Co-operative Foods (Dairy Farmers) and was Vice-President of Kimberly-Clark Corporation.
- **Ben McKee** B.Agr.Sci. (Hons), PhD, GAICD
*General Manager Operations,
9 years service*
Dr McKee has a Bachelor of Agricultural Science Degree (Honours) and a PhD in a field of study related to the honey industry. He is a Graduate of the Australian Institute of Company Directors. He is General Manager – Operations.
- **David Graham** B.Bus, CPA
*Financial Controller & Company Secretary
1 year service*
Mr Graham has a Bachelor of Business, majoring in Banking and Finance and is a Certified Practising Accountant. He was appointed to the position on 28 January 2011.

1.5 Key Risks to CHL business

CHL's business is exposed to a variety of commercial and other risks, all of which have some potential to affect the future profitability of the Company and to influence both dividends on Shares and prices which the Company is able to pay Supplier Shareholders for honey supplied. The risks detailed below should not be taken as exhaustive of the risks faced by CHL or its investors, but rather risks that have been encountered to date or that are reasonably foreseeable at this time.

Refer Section 5 for a more complete list of business risks.

Access to honey supply at required volumes, quality and price

The supply of honey to the Company can be adversely affected by reduced access to floral resources, exotic bee incursion, bee diseases, and beekeeper diversification into non-honey producing activities such as crop pollination and the export of packaged bees. Honey purchase prices are dependent on prevailing supply and demand. Consistently high honey purchase prices will have a significant negative impact on the Company's financial performance. CHL's access to honey supply may be constrained by natural or competitive reasons thereby limiting CHL's volume of sales.

Climatic conditions

The production and supply of honey can be adversely affected by unfavourable weather (drought) and environmental and climatic conditions. Continued drought may have, and has had, a negative impact on CHL's financial performance.

Regulatory issues

Any future changes in government regulation regarding floral resources can have a significant negative impact on honey supply. Economic, regulatory or taxation policies of government in Australia and protectionist policies and other actions by governments in countries where CHL exports are sold, may influence future profitability.

Change in consumer behaviour and perceptions

Australian consumers traditionally regard honey as a natural, healthy food product. However, it should be recognised that changes in lifestyles and eating habits could affect future demand.

The Company's profitability can be affected by changes in customer perception and attitudes towards honey and to branded and non-branded products.

Market concentration

The retail grocery market in Australia is lead by a small number of powerful groups who, between them, account for the majority of annual retail grocery sales. The consequent concentration of buying power can be a disadvantage to CHL.

Price competition

Price competition is common and often aggressive at both wholesale and retail levels of the domestic market. In the generic and house brand retail product market and the industrial honey market, competition is almost exclusively on a tendered price basis, and consequently, margins are often low.

Product concentration

CHL derives substantial strength from the concentration of its management resources in the packing and marketing of honey supplied by its Supplier Shareholders, and relies on this activity for a significant proportion of its profitability. Any event or circumstance which reduces the supply or demand for honey in Australia or overseas, or restricts CHL's access to markets will have a material effect on the profitability of the Company.

1.6 Summary

This summary is an overview only. Potential investors should read this Information Memorandum in full and seek professional advice before deciding to invest in CHL.

1. BUSINESS OVERVIEW

Financial Performance 2009- 2012	FY09 \$'000's	FY10 \$'000's	FY11 \$'000's	HY12 \$'000's
Revenue	78,493	72,156	63,191	32,468
EBITDA (pre normalisations)	4,080	(2,062)	6,427	3,114
Add back: Abnormal / One-off Items				
Goodwill impairment		5,108		
Comvita write-down		127		
FX loss non-cash end of year asset translation	839			
Redundancies		174		
Cost associated with capital raising		736		
Cost of exiting markets		207		
	839	6,352	0	0
Normalised EBITDA	4,919	4,290	6,427	3,114
% to revenue	6.3%	5.9%	10.2%	9.6%

Figure 1

Key Ratios	2009	2010	2011	HY12
Current Ratio	1.57	2.02	1.76*	2.49
Debt (Total Liabilities / Total Assets)	62.9%	59.4%	49.9%	51.3%
Interest Cover (EBIT DA/ Interest)	2.34	2.49	6.0	5.7
Net Assets (\$'000"s)	\$21,954	\$18,700	\$22,226	\$23,459

*A provision for dividend of \$1,278,030 is included in current liabilities.

Figure 2

Balance Sheet	2011 \$'000's	HY12 \$'000's
Current Assets		
Cash and cash equivalents	637	2,101
Trade and other receivables	11,808	9,627
Inventories	9,194	12,953
Other current assets	164	410
TOTAL CURRENT ASSETS	21,803	25,091
Non-Current Assets		
Property, plant and equipment	18,985	20,027
Intangible assets	142	122
Deferred tax assets	3,474	2,975
TOTAL NON-CURRENT ASSETS	22,601	23,124
TOTAL ASSETS	44,404	48,215
Liabilities		
Trade and other payables	9,538	8,408
Short term borrowings	1,566	1,688
Provision for dividend	1,278	-
Long term borrowings	9,526	14,387
Long term provisions	270	273
TOTAL LIABILITIES	22,178	24,756
NET ASSETS	22,226	23,459
Equity		
Issued capital	7,728	7,728
Reserves	4,043	4,043
Retained earnings	10,455	11,688
TOTAL EQUITY	22,226	23,459

Figure 3

2. CHL'S BUSINESS

2.1 The Global Honey Industry

Global honey trade reached the value of US\$738 million in 2005 according to the SADC Trade website, with the leading producers including China (298,000 tonnes), Argentina & Turkey (162,000 tonnes), Mexico, and the USA. With the exception of the USA each of these countries are significant exporters supplying honey to large importers including Germany, UK, Japan and USA. The EU consumption of honey was estimated at 305,000 tonnes in 2004 (SADC website). In comparison Australia produces about 30,000 tonnes annually (Gibbs & Muirhead)

Annual production in each producing region can be materially effected by a range of factors including climatic conditions such as drought that may affect the available floral resource, pests and viruses that may attack the bees or hives, pesticides and unexplained afflictions such as Colony Collapse Disorder which is allegedly responsible for reduced US honey production.

Shortfalls in production to meet demand in one region are generally met from exports from another with the world trade in honey well established. Requirements for the export of honey generally include its authenticity as 100% real honey with no adulteration and an identifiable geographical and botanical origin. Regions such as the European Union and USA then tend to have their own certification requirements to ensure that honey is free of contamination from chemical, antibiotic and other residues.

The range of variation in world market prices for blending grade Industrial Bulk Honey from 2006 to 2011 is illustrated below in figure 4.

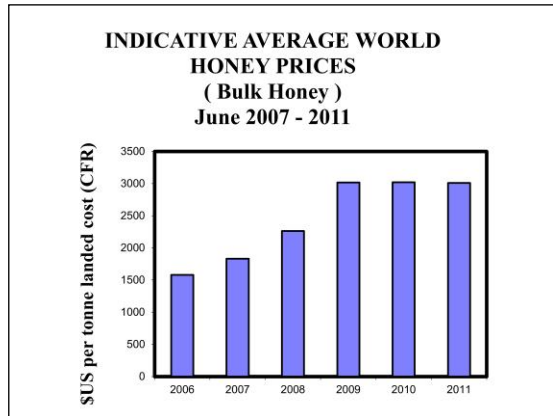


Figure 4 Source: IHEO Apis Services

2.2 The Australian Honey Industry

The overall size of the industry is quite extensive, with managed honey bees being found in all Australian states and territories. State apiarists estimated that the honeybee industry was made up of around 10,000 registered beekeepers in 2006-07 who operated a total of 571,968 hives (ABARE, 2008). These represent what is considered to be the commercial industry.

Honey production and supply is dependent upon climatic variations and seasonal conditions, and as a result the annual crop can vary considerably from year to year. Since 1999 Australian Honey production has been lower than previous years because of unfavourable climatic conditions in much of eastern Australia.

Australia supplies only a small percentage of world honey and therefore has little opportunity to influence world price levels. Consequently CHL's bulk export sales are mostly contracted at prevailing world market price levels.

The supply, marketing and distribution structure of the honey industry is illustrated below in figure 5:

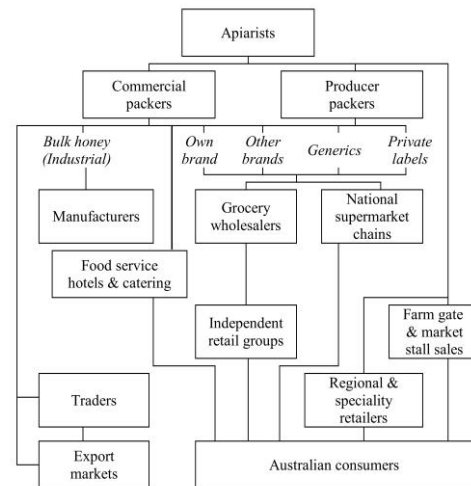


Figure 5

2.3 The History of CHL

Capilano was founded by apiarists Tim Smith MBE and his brother, Bert, in 1953. The brothers began the business by packing and selling Capilano brand honey to grocery stores around Brisbane, Australia.

The "Capilano" name has a nostalgic connection with the Capilano district near Vancouver in Canada. It means, "rushing water" in the language of the native Indian tribe who lived there. It was there that Tim Smith met his wife, Jill, while stationed in Canada as a RAAF flying instructor in World War II.

In 1956 the business was known as Capilano Apiaries Pty Limited. Expansion interstate and development of export followed as the Company prospered, leading to the establishment of a packing plant and distribution centre at St Marys near Sydney in 1968, followed by another in Maryborough, Victoria, in 1974.

In 1970 the Company became an unlisted public company and in 1974 changed its name to Honey Corporation of Australia Limited. In 1995 it adopted the name Capilano Honey Limited in recognition of the wide appreciation of the Capilano trade mark and brand throughout Australia and overseas. In 1997 the factory in Brisbane was redeveloped and the business reduced to a two-plant operation with the closure of the Sydney factory.

CHL now markets its products to 33 countries and is one of the few international honey companies.

In 2003, CHL entered into a strategic alliance, Capilano-Argentina, with HoneyMax s.a in Argentina. Honey Max is the leading honey supplier in Argentina. The alliance has ensured CHL has the ability to supplement its honey supply in times or situations of low supply.

2. CHL'S BUSINESS

2.3 *The History of CHL (continued)*

Also in 2003, Capilano acquired a 50% share in a honey packer in Canada, forming Capilano Labonte Inc (CLI). In February 2008, the Company purchased the remaining half of CLI and renamed it Capilano Canada Inc (CCI). On 1 July 2010 CCI was voluntarily wound up.

Medihoney Pty Ltd, a wholly owned subsidiary, was formed in 2003 to commercialise active manuka honey. In June 2007 the Company sold Medihoney Pty Ltd to Comvita Limited in return for cash and shares in Comvita Limited. In financial 2010, CHL disposed of its Comvita shares.

In the 2010 financial year the Company exited export market segments with marginal profitability, including a significant proportion of the Canadian market. CHL decided not to retain them merely in the hope of more favourable exchange rates and a honey crop surplus eventuating. This enabled repayment of debt and strengthening of the Company's balance sheet.

Between 1 July 2009 and 30 June 2011, through the sale of assets, release of working capital and the issue of new shares, debt was reduced from \$28.5 million to \$11.0 million.

2.4 Corporate Structure

Shares

BSX

In 2004, CHL listed on the Bendigo Stock Exchange (BSX) to facilitate share trading and provide opportunities for parties other than beekeepers to become shareholders.

Share Ownership

Since incorporation, CHL has required Supplier Shareholders to hold Shares in accordance with the number of hives used for honey production. The number of Shares required is determined by a Shares-to-hives ratio established by the Board.

At the date of this Information Memorandum, the Shares-to-hives ratio is sixteen, which means that Supplier Shareholders are required to hold sixteen Shares for each hive of bees employed for honey production. This ratio is not fixed and may be changed in the future. The Board has the right to utilise funds which may be held on behalf of a Supplier Shareholder to pay for Shares required to satisfy HSA obligations.

As at 31 December 2011, 8,520,198 Shares were on issue, with 3,461,345 held by Supplier Shareholders. 1,984,790 of these Shares were required to be held to comply with the Shares-to-hives ratio in accordance with HSAs.

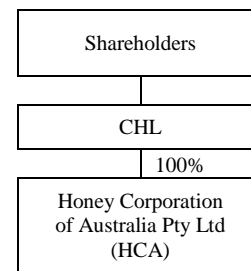
Share Issues to HSA holders and Supplier Shareholders

Pursuant to the CHL Constitution, the Board may issue Shares to persons who have applied for and been issued with a HSA, and to Supplier Shareholders to satisfy their HSA obligations. This practice has been discontinued and no shares have been issued for HSA compliance in the past three years.

Ownership of Foundation Share

The Foundation Share is held by CBL, and allows CBL to appoint two Beekeeper Directors to the Board of CHL. The Foundation Share has no other powers and is not entitled to participate in any dividend or distribution.

CHL's corporate structure is set out below:



HCA is a non trading entity

2.5 CHL's Activities

CHL's principal business activity is the packaging and marketing of honey on a global basis.

Consumer honey products and Industrial Bulk Honey are marketed by CHL across Australia and have been regularly exported to many other countries.

CHL's other business activities include:

- sales of unprocessed beeswax supplied by Supplier Shareholders, mainly into export markets;
- packing and marketing of products other than honey;

CHL's corporate head office and main honey packaging, warehousing and distribution facility are located in Richlands, Queensland. A secondary plant held as backup in case of disaster is in Maryborough, Victoria. Both locations are close to the main honey producing regions of eastern Australia and within reach of major domestic markets and shipping ports for exports.

The core functions of the Richlands' facility are:

- production, warehousing and distribution
- honey supply chain management;
- marketing and sales management;
- export sales and administration;
- sourcing and purchasing of other inputs;
- invoicing, accounting, payroll and financial management;
- central computer system and data processing;
- research and development; and
- corporate administration.

Brands and Trademarks

CHL owns the trademarks and honey brands "Capilano", "Barnes", "Anderson Honey", "Glenrock", "Heather", "Cloverdale" and "Bee Vital" and holds a licence to use the "Allowrie" trademark for honey products.

In accordance with relevant accounting standards, the acquisition cost of brands and honey businesses are included in the Company's balance sheet as intangible assets and amortised over varying periods according to their expected useful lives.

A value for the Capilano brand is not included in the balance sheet, in accordance with accounting standards. The directors believe this brand is a major asset of the Company and has a substantial value.

2.6 Honey Supply

Honey Supply Agreements

CHL's honey supply base is underpinned by Honey Supply Agreements (HSA) with Supplier Shareholders. The Company enters into a HSA and establishes an annual supply quota with these suppliers.

2. CHL'S BUSINESS

2.6 Honey Supply Agreements (continued)

The quota is not transferable, but may be re-assigned where the bona fide sale of an apiary business has taken place, subject to a satisfactory history of deliveries against quotas. A non-shareholder honey producer who wishes to purchase CHL Shares and supply honey to the Company may make application for a HSA and annual supply quota. The Directors set the total quantity of quota available for allocation (the quota pool) from time to time. Reviews of quotas and quantities of honey supplied by shareholders with a HSA are carried out periodically.

Ownership of CHL Shares does not create a right to a HSA or annual supply quota.

Honey Prices Paid to Supplier Shareholders

Under the terms of HSA's with Supplier Shareholders, the Company agrees to purchase an annual quota quantity at the Quota Price. This price is determined by the commercial value of various honey grades sold into different markets and taking into account market conditions, bulk export volume and market prices, foreign exchange rates, and the Company's profit objectives.

The Company may also purchase honey from Supplier Shareholders over their annual quota at prices determined by negotiation between the Supplier Shareholder and the Company.

The graph in Figure 6 illustrates, on a quarterly basis, movements in prices (average honey purchase prices) over a twenty year period from 1991 to 2011 for two different grades of honey. These prices include bonuses and premiums that have been paid to Suppliers.

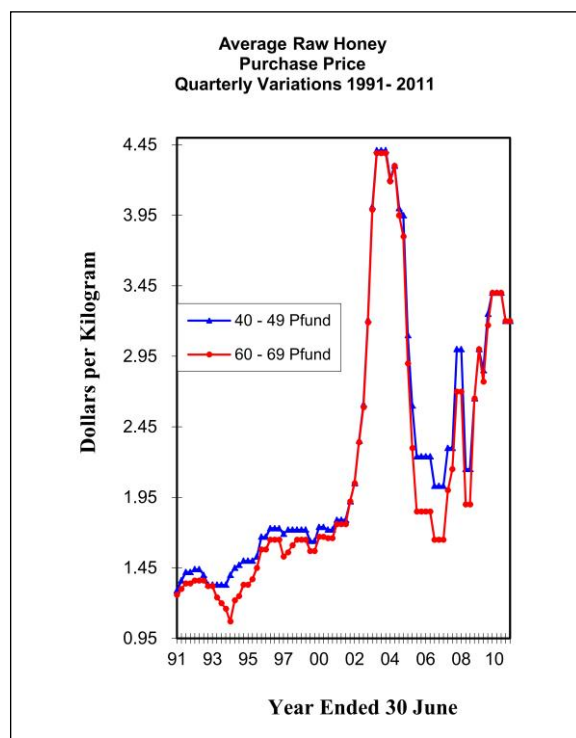


Figure 6

The Company cannot give any guarantee concerning future purchase prices for honey supplied by Supplier Shareholders.

In 2004, unfavourable climatic conditions, together with a world shortage of honey, led to increased competition for available supplies, limiting the Company's purchases of Australian honey to 11,950 tonnes. Conditions for Australian honey production improved for the following two years with the Company purchasing 14,466 tonnes and 13,564 tonnes of Australian honey in 2005 and 2006 respectively. In 2007, Australian honey purchases reduced to 10,343 tonnes, dropping further to 6,900 tonnes in 2008, 8,714 tonnes in 2009 and 7,388 tonnes in 2010 as climatic conditions remained poor and competition for supply increased. Continued lack of Australian supply, coupled with unfavourable exchange rates and a requirement to significantly reduce debt, resulted in CHL matching its sales to its supply by exiting marginal export markets in 2010. Following the decision by some producers to sell their honey on the open market, CHL adjusted the remaining quota pool by matching suppliers' quota more closely to their expected average production. CHL now has a supply base that more closely matches its requirements. These factors will allow the Company to focus on the more profitable sectors of the business and avoid maintaining markets simply to sell surplus honey during periods of higher production.

During the five years to 30 June 2010, approximately 90% of total honey purchased by CHL was supplied by Supplier Shareholders. In the year to 30 June 2011, 88% of total honey purchased was supplied by Supplier Shareholders.

2.7 Business Strategies

CHL has a substantial domestic market share in both the retail and industrial honey market segments.

Its strategies include:

- maintaining the Capilano brand as the national market leader;
- acquiring and/or developing other honey brands;
- expanding sales of value added consumer products; and
- being a low cost manufacturer and food processor.

2.8 Competition

Main competitors in the local market include Beechworth, Leabrooks, Australian Rainforest and Wescobee. Supermarket retailers also have their own private labels such as You'll Love Coles, Smart Buy, Select, Homebrand, Black and Gold. Aldi are also a private label retailer.

The next largest competitor is estimated to have around 17% market share in brand while others are individually below 6%. Private label, excluding Aldi, is approximately 29% according to AC Nielsen data.

CHL is only engaged in supplying a minority portion of private label to Woolworths, Metcash and Aldi and none to Coles. As honey supply improves and CHL's position as a low cost manufacturer consolidates then more private label opportunities may be considered.

2.9 Finance Arrangements

CHL has a financing facility with HSBC which was implemented on 28 June 2010.

The financing arrangements include a Multi Option facility, Fixed Bill facility, and Debtor finance available in the total amount of \$18.2 million at 30 June 2011. The facility was used to the extent of \$13.85 million at 31 December 2011

3. FINANCIAL INFORMATION

3.1 Review of Historical Results

The Consolidated Sales Revenue for the CHL Group is detailed in Figure 7 and segmental information noted in Figure 8.

Revenue declined by \$9.0 million from financial year 2010 to financial year 2011 with the full year impact of exiting certain marginally profitable export markets.

Figure 9 summarises the consolidated audited results for CHL and its subsidiaries for the last three financial years.

Three major factors contributed to unfavourable trading conditions affecting profitability in recent years. Firstly, the unfavourable exchange rate trends in 2010 negatively affected the Company's profitability. About 45% of CHL's business in the 2010 financial year was in the export segment. Secondly, reduced supply from drought resulted in the Company foregoing some profitable business it previously held. Thirdly, the ability to be competitive when purchasing honey due to lower returns from the sales mix of local and export markets, compared with competitors only competing in local markets, allowed competitors to gain supply and successfully compete for private label honey products to supermarket retailers at CHL's expense.

The 2010 financial year loss includes the impact of:

- The non cash write-down of intangible assets by \$5.1 million.
- Costs of \$0.7 million associated with the capital raising and the Shareholder approved changes to the company's Constitution.
- An increase in the cost of honey of \$1.7 million as the average honey price moved up.

The detailed audited financial statements for the year ended 30 June 2011, appear in the 2011 Annual Report and are incorporated in this Information Memorandum by reference.

3.2 Income tax and dividend policy

CHL's Constitution prescribes that directors may determine that a dividend is payable to Shareholders. Directors also have power to pay interim dividends.

In determining the amount of dividend (if any), directors take into account:

- the importance of retaining a portion of profits to provide funds for operations and to provide for future growth; and
- the need to pay dividends to reward Shareholders for their investment in the Company.

Profits retained by the Company before payment of dividends and after taking into account other adjustments will usually be subject to income tax.

As at 30 June 2011 the Company had an accumulated franking account balance of \$1,837,682 based on company income tax paid. This franking account balance can be used to frank future dividends.

No undertaking regarding future dividends is given in this Information Memorandum.

3.3 Annual Report and Announcements

Details of CHL's financial position as at 31 December 2011 are contained in the Company's Half Year Report. Information is given in this Information Memorandum to persons interested in acquiring Shares to assist them in making an informed investment decision. CHL is a disclosing entity and is subject to regular reporting and disclosure obligations. In order to be fully informed, parties reading this Information Memorandum should also refer to the material contained in:

- the Company's Annual Report for the financial year ended 30 June 2011;
- the Financial & Statutory Reports of the Company for the half year ended 31 December 2011; and
- material contained in all other announcements made in the period since 1 July 2011 while CHL was listed on BSX .

Persons wishing to obtain a copy of the Company's Half Year Report or copies of continuous disclosure announcements since 1 July 2011 should write to Capilano Honey Limited, at either PO Box 531, Inala Qld 4077, fax on (07) 3712 8287 or email honey@capilano.com.au for a copy to be forwarded free of charge. Alternatively, this information will be available from the CHL website www.capilano.com.au and the BSX website www.bsx.com.au. Parties requesting these documents should receive them within 5 days of making a request.

Copies of documents lodged by the Company with ASIC may be obtained from or inspected at an ASIC office.

3. FINANCIAL INFORMATION

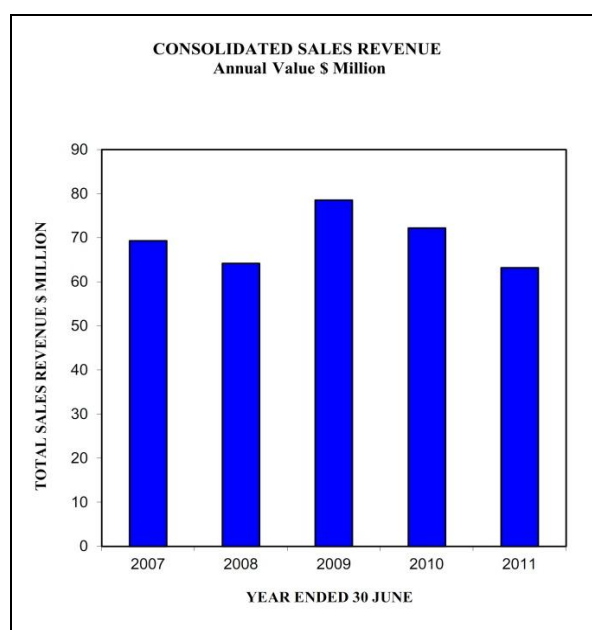


Figure 7

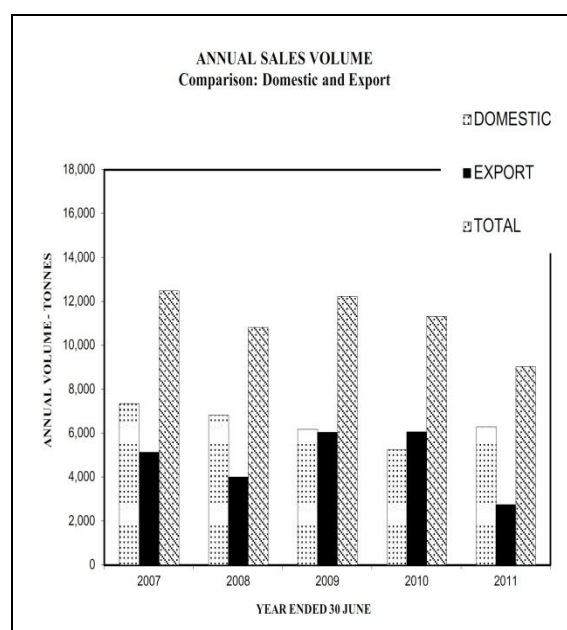


Figure 8

Summary of consolidated audited results	2009	2010	2011	HY2012
	\$'000's	\$'000's	\$'000's	\$'000's
Total revenue	78,493	72,156	63,191	32,468
EBITDA (excluding impairments)	4,081	3,046	6,427	3,114
Depreciation & Amortisation	(1,544)	(1,654)	(1,660)	(838)
Interest	(1,744)	(1,222)	(1,063)	(543)
Impairments	-	(5,108)		
Income tax benefit (expense)	(86)	(1,041)	766	(500)
Operating (loss) profit after tax	707	(5,979)	4,470	1,233
Dividend				
per share			0.15	0.10
Consolidated financial position				
Total assets	59,200	46,011	44,404	48,215
Equity				
Contributed equity	5,366	7,395	7,728	7,728
Reserves	3,347	4,043	4,043	4,403
Retained profits	13,241	7,262	10,455	11,688
Total Equity	21,954	18,700	22,226	23,459

These results are stated under the International Financial Reporting Standards (IFRS).

Figure 9

4. DIRECTORS & MANAGEMENT

4.1 Board Composition

The core purpose of the Board is to guide the affairs of the Company to best serve the interests of the Company and continuously add value for its Shareholders.

At the date of this Information Memorandum the Board consists of:

- two Beekeeper Directors;
- the Managing Director; and
- one Independent Director.

4.2 Directors' profiles

- **Trevor R. Morgan**, FAICD
*Chairman, Non-Executive Director
Commercial Apiarist*

Mr Morgan has been a director since 1998, was elected Deputy Chairman in 2004 and Chairman in 2005. He is a second-generation beekeeper with over 30 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 ten years, including 2 years as President. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Advanced Diploma. Mr Morgan is Chairman of the Company's Nomination Committee and a member of the Honey Supply & Industry, Audit & Compliance and HR Committees.

- **Phillip F. McHugh**
*Deputy Chairman, Non Executive Director
Commercial Apiarist*

Mr McHugh has been a director since 1993. He is well known in the NSW apiculture industry and his family have been CHL Shareholders since 1975. Mr McHugh previously served as Branch President of the NSW Apiarists Association for a number of years. Mr McHugh is Chairman of the Honey Supply & Industry Committee and a member of the Company's Audit & Compliance, HR and Nomination Committees.

- **Roger D. Masters**, B.Com, MBA, CA, FAICD
Managing Director

Mr Masters was appointed by the Board as Managing Director in 1996. He has a Bachelor of Commerce Degree, a Masters Degree in Business Administration and is an Associate of the Institute of Chartered Accountants. He is a Fellow of the Australian Institute of Company Directors. He has had an extensive career in Senior Management with significant experience in finance, marketing and business development. Prior to joining CHL, Mr Masters was Finance Director at Bullivant's Natural Health Products. Mr Masters is a member of the Company's Audit & Compliance, Honey Supply & Industry, HR & Nomination Committees.

- **Simon L. Tregoning**, B.Com
Independent Non-Executive Director

Mr Tregoning has been a director since 2006. He is also a director of Grain Corp, and St Lukes Care. He was formerly a director of Australian Co-operative Foods (Dairy Farmers) and was Vice-President of Kimberly-Clark Corporation. He has broad FMCG experience in Australia and overseas. Mr Tregoning is Chairman of both the Audit & Compliance and HR Committees and a member of the Company's Honey Supply & Industry and Nomination Committees.

4.3 Senior Management

CHL's senior management group consists of:

- **Roger D. Masters**, B.Com, MBA, CA, FAICD
*Managing Director
15 years service*

(for details see section 4.2).

- **Ben McKee**, B.Agr.Sci. (Hons), PhD, GAICD
*General Manager Operations
9 years service*

Dr McKee has a Bachelor of Agricultural Science Degree (Honours) and a PhD in a field of study related to the honey industry. He is a Graduate of the Australian Institute of Company Directors. Previously, Dr McKee worked with the University of Melbourne and within the Victorian Department of Primary Industries, as well as managing his own commercial beekeeping enterprise. At CHL, he has managed the Groups Quality Assurance and advanced to Operations Manager of the Brisbane site before being promoted to Group Operations Manager in December 2006 and General Manager – Operations in May 2010. Dr McKee is also a member of the Company's Honey Supply & Industry Committee.

- **David Graham**, B.Bus, CPA
*Financial Controller & Company Secretary
1 year service*

Mr Graham has a Bachelor of Business, majoring in Banking and Finance and is a Certified Practising Accountant. He was appointed to the positions of Financial Controller and Company Secretary on 28 January 2011.

4.4 Succession

CHL actively manages its succession planning. The Company's present intention is that, as at 1 July 2012 Roger Masters will resign as Managing Director and Ben McKee will take over Mr Masters' position as Chief Executive Officer of the Company. It is intended that Mr Masters will remain as a non-executive director of the Company and will assist the Company with the transition of the CEO role to Mr McKee on a consultancy basis.

5. BUSINESS & INVESTMENT RISKS

Investment in the shares of a company usually exposes an investor to the same array of business risks and other risks to which the Company is itself exposed. Failure of a company and liquidation of its assets may result in shareholders losing part or all of their investment.

CHL's business is exposed to a variety of commercial and other risks, all of which have some potential to affect the future profitability of the Company and to influence both dividends on Shares and prices which the Company is able to pay Supplier Shareholders for honey supplied.

The risks detailed below should not be taken as exhaustive of the risks faced by CHL or its investors, but rather risks that have been encountered to date or that are reasonably foreseeable at this time.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and CHL's control. Changes to accounting standards issued by AASB could materially adversely affect the position reported in CHL's future financial statements.

Apiculture industry

The supply of honey to the Company can be adversely affected by reduced access to floral resources, exotic bee incursion, bee diseases, and beekeeper diversification into non-honey producing activities such as crop pollination and the export of packaged bees. Any future changes in government regulation regarding floral resources can have a significant negative impact on honey supply.

Bulk export sales

Generally the total annual quantity of honey supplied to CHL exceeds the quantity required to satisfy demand for domestic market retail products and industrial honey and value added retail packed exports. Consequently, the Company has been a consistent exporter of Industrial Bulk Honey onto the world commodity honey market.

The net value in Australian dollars of Industrial Bulk Honey exports is subject to wide variations resulting from movements in export market prices (usually quoted in US dollars) and the exchange rate value of the Australian dollar against the US dollar and other currencies.

Variations in price, exchange rates and market conditions are outside the control of CHL and can have a significant effect on prices paid for honey purchased and received for honey sold, and profits.

Climatic conditions

The production and supply of honey can be adversely affected by unfavourable weather (drought) and environmental and climatic conditions. Continued drought may have, and has had, a negative impact on CHL's financial performance.

Consumer perceptions

Australian consumers traditionally regard honey as a natural, healthy food product. However, it should be recognised that changes in lifestyles and eating habits could affect future demand.

Counterparty risk

The strategies of CHL rely on the successful performance of contracts with external counterparties, including service providers. There is a risk that these counterparties may not meet their responsibilities, including as a result of the insolvency, financial distress or liquidation of the counterparty. This may have a negative impact on CHL's ability to achieve its goals which may in turn affect its financial performance.

Customer attitudes

The Company's profitability can be affected by changes in customer perception and attitudes towards honey and to branded and non-branded products.

Funding

CHL's operations are funded by debt and equity and rely on the Company's continued ability to borrow funds.

The debt financing is based on certain terms and conditions which are reviewed from time to time and CHL remains exposed to changes in lending policies. The interest rates required to be paid for the provision of debt may be affected by general and global economic factors and are subject to change from time to time.

General economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions.

A prolonged deterioration in general economic conditions in Australia or overseas could be expected to have a corresponding adverse impact on the operating and financial performance of CHL including levels of inflation, interest rates and government fiscal, monetary and regulatory policies.

Government action

Economic, regulatory or taxation policies of government in Australia and protectionist policies and other actions by governments in countries where CHL exports are sold may influence future profitability.

Hedging

CHL seeks to manage its US\$ currency exposure by foreign currency hedging, but there is no guarantee that this will be sufficient to protect CHL's revenues in the event of foreign exchange fluctuations.

Honey pricing and supply

Honey purchase prices are dependent on prevailing supply and demand. Consistently high honey purchase prices will have a significant negative impact on the Company's financial performance.

CHL's access to honey supply may be constrained by natural or competitive reasons thereby limiting CHL's volume of sales.

Industrial action

CHL has a good record of harmonious relationships with employees and unions, and has entered into Union Collective Agreements with factory employees. However, industrial action such as strikes, black bans, or secondary boycotts, whether originating in the Company's workforce or elsewhere, could disrupt business and adversely affect results.

Insurance

CHL carries insurance policies, including industrial special risks and public & products liability policies, covering its business activities. There are, however, types of losses and unforeseen circumstances, that may result in CHL not being fully recompensed for any loss of profit.

Key personnel

The success of CHL depends on its ability to retain key personnel. Should any of its key personnel leave, this may have a negative impact on CHL.

5. BUSINESS & INVESTMENT RISKS

Litigation

Whilst CHL is not aware of any legal claims against it or grounds for the making of a material claim, costly litigation or disputes may adversely affect the profitability of CHL or the value of its assets.

Low barriers to entry

There are few barriers to entry for packing honey for the Australian market.

Market concentration

The retail grocery market in Australia is lead by a small number of powerful groups who, between them, account for the majority of annual retail grocery sales. The consequent concentration of buying power can be a disadvantage to CHL.

Overseas activities

CHL operates its business overseas, and in conjunction with other entities in various countries. There are risks inherent in doing business on an international level. To the extent that it is a party to a strategic alliance and reliant on third parties, CHL may be subject to the effect of their partners' business practices and strategic decisions. The Company may also be subject to any change in economic or political conditions in another country, as well as changes in exchange rates.

Overseas conditions

Any outbreak of hostilities or pandemics may have an effect on global economic conditions in addition to the Company's direct export performance. This may have an adverse effect on the Company's financial performance.

Price competition

Price competition is common and often aggressive at both wholesale and retail levels of the domestic market. In the generic and house brand retail product market and the industrial honey market, competition is almost exclusively on a tendered price basis, and consequently, margins are often low.

Product concentration

CHL derives substantial strength from the concentration of its management resources in the packing and marketing of honey supplied by its Supplier Shareholders, and relies on this activity for a significant proportion of its profitability. Any event or circumstance which reduces the supply or demand for honey in Australia or overseas, or restricts CHL's access to markets will have a material effect on the profitability of the Company.

Product contamination

Adverse publicity resulting from product contamination or malicious tampering could have serious consequences for the Company and the industry as a whole through reduced demand for honey and claims. Any residues of chemicals or other unnatural substances in local or overseas honey could restrict the markets in which such honey could be sold or render the honey unacceptable to consumers in any market. Contamination could result in a product recall at considerable cost to the Company and threat to future business.

Share market investment

CHL is seeking a listing on ASX. The price of shares on ASX may rise or fall. There can be no assurance that an active trading market will develop for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many securities of listed entities are affected by factors that might be unrelated to the operating performance of the relevant company. Such fluctuations may adversely affect the price of Shares.

6. MATERIAL AGREEMENTS

6.1 Inspection of Significant Documents

The directors are of the opinion that certain agreements and associated information are significant to investors in CHL shares.

The directors consider that the contracts described below and elsewhere in this Information Memorandum are those which a Shareholder would reasonably regard as material and which they and their professional advisers would reasonably require to make an informed assessment of the Shares.

Set out in this section is a brief summary of the more important provisions of these material contracts.

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company:

- the Constitution; and
- the consents to the issue of this Information Memorandum.

6.2 CHL Constitution

A summary of the rights attached to the Shares and certain provisions of the Constitution of the Company are set out below. The summary is not intended to be exhaustive and must be read subject to the full text of the Constitution.

Lien

The Company has a first lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien or charge also extends to all dividends declared in respect of the Shares.

Alteration of rights

The rights and restrictions attached to any class of shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Voting rights

Each Shareholder has the right to receive notices of, and to attend, general meetings of the Company.

Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any restrictions imposed by the *Corporations Act*, the Shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held. Voting may be in person or by proxy, attorney or representative.

Foundation Share

One Foundation Share is currently on issue.

The Foundation Shareholder is entitled to receive notice of, attend, speak but not vote at any general meeting of CHL.

The Foundation Share confers no right to participate in the capital or profits of the Company other than the right in a winding up to a distribution of capital on an equal footing with other members entitled to share in a distribution of capital in a winding up.

General meetings

An annual general meeting of the Company shall be held in accordance with the provisions of the Law. All other meetings of the Company are called general meetings.

Any director may call a general meeting at their discretion.

While the Company is listed the Law requires 28 days notice, specifying the place, the day and the time of meeting and, in the case of special business, the general nature of that business and any other matters required by the Law, shall be given to such persons as are entitled to receive such notices from the Company.

Proceedings at general meetings

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Ten members present in person constitute a quorum. Member includes a person attending as a proxy or a representative of a member that is a corporation for the purposes of a quorum.

Directors

For as long as the Foundation Share is on issue, the Foundation Shareholder may appoint two Beekeeper Directors to the board of directors of the Company 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. However, the Foundation Shareholder's rights of appointment, removal and substitution of Beekeeper Directors cease if:

- the Company's main business operations or undertaking ceases to be involved in the sale or marketing of honey; or
- the Company ceases to source honey from suppliers associated with or represented by the Foundation Shareholder.

In the event that a Beekeeper Director is not re-elected or is voted off the Company's board at a general meeting, that Beekeeper Director may not be reappointed immediately by the Foundation Shareholder – see Sections 7.10 and 7.11 below.

The number of directors shall not be less than 3 nor more than 8 and shall comprise the Beekeeper Directors, Independent Directors and may include a Managing Director.

At every annual general meeting, one third of the Directors or, if their number is not a multiple of 3, then the number nearest, but not less than one third must retire from office provided that no Director who has served less than 2 years in office since his last election shall be required to retire.

The total amount of directors' fees payable must, from time to time, be determined by the Company in general meeting and may be divided amongst directors at their discretion. Directors' fees are deemed to accrue from day to day. The directors may also be paid all travelling, accommodation and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or in connection with the business of the Company.

Powers and duties of directors

The business of the Company is to be managed by the directors, who may pay all expenses incurred in promoting and registering the Company, and exercise all powers of the Company as are not, by the Law or by the Constitution, required to be exercised by the Company in general meeting.

Proceedings of directors

The directors meet together for the dispatch of business and otherwise regulate their meetings as they think fit provided that a meeting of the directors in person is held at least 6 times per year at intervals of approximately 2 months. The directors may, at their discretion, hold additional meetings.

6. MATERIAL AGREEMENTS

6.2 CHL Constitution (continued)

Financial reports

The directors must ensure proper financial and other records are kept and must distribute copies of reports as required by the Law. The directors may determine the circumstances under which the Company financial records are to be accessible for inspection by members.

Dividends and reserves

The directors may, from time to time, determine that a dividend is payable to Shareholders. The dividend is generally payable on all Shares in proportion to the amount of total issue price paid up in respect of the Shares. The dividend may be paid at a rate per annum in respect of a specified period provided that no amount paid on a share in advance of calls is to be treated as paid on that share.

The directors may, from time to time, pay interim dividends if it appears to the directors that the payment is justified by the profits of the Company.

Amendments to the Constitution

Subject to the Law, the Company may, by special resolution, amend the Constitution.

If the Law or any declaration or exemption from the provisions of the Law granted by ASIC requires that the Constitution contain certain provisions, then those provisions:

- (a) are deemed to be incorporated into the Constitution to the extent they are required to be included; and
- (b) prevail over any other provisions of this Constitution to the extent of any inconsistency.

While the Company is admitted to the official list of any approved stock exchange (includes ASX):

- (a) if the Listing Rules of that exchange prohibit an act being done, the act is not to be done;
- (b) nothing contained in the Constitution prevents an act being done that the Listing Rules of that exchange require to be done; and
- (c) if any provision of the Constitution is or becomes inconsistent with the Listing Rules of that exchange, the Constitution is deemed not to contain that provision to the extent of the inconsistency,

subject to the terms on which the Company may have been admitted to the official list of any approved stock exchange.

Partial takeover bids

The Company may prohibit registration of transfers purporting to accept partial takeover bids unless and until a resolution of the Company has been passed approving the offers in accordance with the provisions of the Constitution.

Indemnities

The Company must indemnify current and past directors, secretaries and executive officers of the Company against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, director, secretary or executive officer, other than a liability owed to the Company or a related body corporate of the Company or a pecuniary penalty order or compensation order or where the liability does not arise out of conduct in good faith. Indemnities also apply to employees in circumstances designated under the Constitution.

Insurance

The Company may also pay insurance premiums for officers and employees in certain designated circumstances but not where the liability arises out of willful breach of duty to the Company or an improper use of position or inside information, as prohibited by the Law.

6.3 Honey Supply Agreement

Each Supplier Shareholder is required to enter into a HSA.

The main purposes of this agreement is to provide CHL with an assured supply of honey in varieties, grades and quality to satisfy demands of its customers and to provide its Australian Supplier Shareholders with the security of a reliable buyer for their honey.

Under this agreement, the Company agrees to purchase and the Supplier Shareholder agrees to supply its annual quota, provided such honey can be sold by the Company on the Australian domestic and/or export market, and such honey complies with quality standards established by law or by CHL.

Neither party will be in breach of its obligations under this agreement where it is prevented from buying or selling, or producing and supplying the honey (as applicable) through any cause beyond the parties' reasonable control.

Prices to be paid by CHL for honey supplied in any year up to the annual quota shall be at prices determined from time to time by the Company, taking into account the selling prices obtainable on the domestic and export market, and the proportions of various grades of honey expected to be sold into each market. These prices are subject to change without prior notice and CHL will inform a Supplier Shareholder in writing of any changes as and when they occur.

The Supplier Shareholder agrees not to purchase or otherwise acquire honey from any other person for supply to the Company. The total amount of honey required by the Company ('Quota') shall be fixed by the Board and reviewed annually and any portions of annual Quota relinquished by or withdrawn from Supplier Shareholders may be reassigned at the discretion of directors. The Company may agree to purchase from a Supplier Shareholder any quantity of honey in excess of that Shareholder's annual Quota at a price agreed prior to delivery.

The Supplier Shareholder is required to declare at the date of execution of the agreement, the number of productive hives used to produce honey for supply under the agreement. The Supplier Shareholder agrees to inform CHL in writing of any future change in the ownership of hives from which honey is supplied. The Supplier Shareholder agrees to purchase and hold Shares in the Company in accordance with the Shares-to-hives ratio determined from time to time by the Company.

In the event that the Supplier Shareholder does not comply with the Shares-to-hives ratio, the Company is authorised to use funds held on their behalf to pay for Shares purchased on market on the Shareholder's behalf at the last traded price of shares in the company preceding the day the Buy Order is lodged, plus up to 10% pending market conditions.

6. MATERIAL AGREEMENTS

6.3 *Honey Supply Agreement (continued)*

The Company may, at any time, without further notice to the Supplier Shareholder set off or apply the funds held by the Company on the Supplier Shareholder's behalf for the purchase of Shares in the Company to meet the Supplier Shareholder's obligation to maintain its Shares to hives ratio. The Supplier Shareholder will also appoint the Company and its officers to be their attorney to enter into all documentation which may be required.

Delivery of honey shall be in accordance with this agreement, which includes being accompanied by the relevant documentation, in containers of such materials type and size as specified, and comply with weight requirements and on arrival shall be sampled at CHL's factory, and such details be included in a monthly statement to Supplier Shareholders.

Delivery of honey in excess of a Supplier Shareholders monthly delivery quantity shall not be made without prior approval by the Company. Title to and ownership of the honey shall pass to the Company on delivery to a company factory or depot.

The Supplier Shareholder agrees to support CHL's quality assurance policy, which has the objective of ensuring that the Company's products and services always fulfil the expectations of those who purchase or use them. The Supplier Shareholder warrants that all honey supplied shall be natural honey, and shall be produced, extracted and stored in accordance with guidelines contained in the Company's *'Reference Manual for Honey Extracting Facilities and Food Safety Program'*, and any additional quality standards notified by the Company. The Supplier Shareholder agrees to co-operate in a quality audit if requested.

The Supplier Shareholder agrees that an amount not exceeding 5% of the amount payable by the Company for honey supplied can be deducted from each payment to Supplier Shareholders and retained by the Company for not longer than 5 years commencing at the end of each financial year in which deductions were made. These sums constitute a loan by the Supplier Shareholder to the Company, on which interest may be paid at a rate decided by the directors of the Company.

These loans, referred to as Retains, are recorded in a monthly statement together with interest and accumulative balance of the amount of Retains held to the Supplier Shareholders account.

In certain circumstances the Board may exercise its discretion to allow Retains to be used to acquire Shares issued pursuant to Rule 74 of the Constitution, and to acquire Shares on market.

The Board currently intends to continue the suspension of Retains deductions.

CHL can reject or buy at a reduced price honey which does not comply with prescribed quality standards. At its discretion CHL may require that rejected honey be retrieved by the Supplier Shareholder at the Supplier Shareholder's expense. In the event the honey is contaminated or breaches a food regulation or health standard, it may be destroyed at the direction of a regulatory authority. The Supplier Shareholder may be required to pay for the costs of destruction.

The agreement is to continue until terminated by 28 days written notice from either party.

6.4 **Facility Agreements**

On 28 June 2010, CHL entered into loan facilities with HSBC.

The financing arrangements include a Multi Option facility, Fixed Bill facility, and Debtor finance, with total available facilities of \$18.2 million at 30 June 2011. The facility was used to the extent of \$13.85 million as at 31 December 2011.

The facilities are on ordinary commercial terms and are secured by a general security deed in respect of CHL's assets, mortgages over CHL's Richlands and Maryborough properties and a guarantee given by CHL's subsidiary, Honey Corporation of Australia Pty Ltd.

7. SIGNIFICANT INFORMATION

7.1 Incorporation

The Company now known as CHL was incorporated on 1 July 1958 and has a financial year end of 30 June.

7.2 Honey Quota

CHL reviews the total quota issued on an annual basis for the purpose of:

- a) ensuring contracted Supplier Shareholder deliveries closely resemble their average production;
- b) facilitating the movement of quota via a 'quota pool' from Supplier Shareholders reducing their beekeeping activity to those beekeepers increasing their production;
- c) facilitating the entry of new suppliers who wish to become contracted Supplier Shareholders.

Quota Categories

Applications for quotas in these categories are considered at an annual review in July/August of each year. All Supplier Shareholders are subject to an annual quota review.

7.3 Total Quality Management

CHL operates a total quality management program which requires that all honey purchased and sold must satisfy a number of defined quality standards. Routine sampling and testing of honey received from Supplier Shareholders and others is undertaken as a part of the quality assurance function and system verification.

The Company has a comprehensive, fully documented Quality Policy and Quality Assurance System. All company production sites have HACCP Food Safety Certification that is independently audited. In addition, specific customer quality system requirements are met as required, such as the British Retailers Consortium (BRC) and Woolworths Quality Assurance (WQA), which means that CHL conforms to the stringent quality standards of the major retailers.

7.4 Consents & Disclaimers

None of the parties referred to below has made any statement that is included in this Information Memorandum or any statement on which a statement made in this Information Memorandum is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Information Memorandum, other than the reference to its name and a statement included in this Information Memorandum with the consent of that party, as specified below.

Each director has given, and has not withdrawn, written consent to the issue of the Information Memorandum.

William Buck has given its written consent for the inclusion of the 2011 Annual Report and Financial Statements and the Half Year Financial Report in this Information Memorandum

7.5 Interests of Experts and Advisers

Except as set out in this Information Memorandum, no person named in this Information Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Information Memorandum:

- has any interest or has had any interest during the last two years, in the formation or promotion of CHL, or in property acquired or proposed to be acquired by CHL in connection with its formation or promotion; and
- no amount has been paid or agreed to be paid; and
- no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of CHL.

7.6 Interests of Directors

Other than as set out below or elsewhere in this Information Memorandum:

- i) no director or proposed director of the Company and no firm in which a director or proposed director of the Company is or was at the relevant time, or has, or has had in the two years before the date of this Information Memorandum, any interest in the promotion of, or in any property proposed to be acquired by, the Company;
- ii) no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any directors or proposed directors of the Company (or to any firm in which he/she is or was a partner) either to induce him/her to become, or to qualify him/her as a director, or otherwise for services rendered by him/her or by the firm in connection with the promotion or formation of the Company.

Directors receive fees for their positions, as approved by Shareholders at the 2004 AGM.

As at the date of this Information Memorandum, the directors of CHL or their associates have a relevant interest in the following shares:

- Mr R D Masters holds 330,801 Shares of which 330,800 are held in his Superannuation Fund.
- Mr P F McHugh holds 44,276 Shares, of which 33,676 are held in his Superannuation Fund
- Mr T R Morgan is a partner in a partnership that holds 37,128 Shares and his wife owns 2,000 Shares.
- Mr S Tregoning holds nil Shares;

Transactions with related parties

Directors P F McHugh and T R Morgan are parties to HSA's as at 31 December 2011.

7.7 Litigation

CHL is not involved in any material, legal or arbitration proceedings nor, so far as it is aware, are any material proceedings pending or threatened against it.

7. SIGNIFICANT INFORMATION

7.8 Expenses of the Information Memorandum

Expenses for this Information Memorandum including ASIC fees, printing costs and other miscellaneous expenses are estimated to be approximately - Legals \$50,000.00, Registry \$10,000 in first year, ASX Listing Fees \$70,969.

7.9 Corporate Governance Statement

The Company has adopted a corporate governance charter which includes:

- a board charter;
- a code of conduct for transactions in securities;
- a code of ethics;
- a diversity policy; and
- charters for the audit and compliance committee, human resources and remuneration committee, honey supply and industry, and nomination committees.

A summary of the charter is set out below.

Board Charter

The Directors have formally adopted a board charter as a comprehensive document defining the role, purpose, functions, obligations and responsibilities of the Board and individual Directors.

The Directors are ultimately accountable for all matters relating to the conduct of the company's affairs. The company's constitution further defines the obligations and powers of the Board. The Board recognises the distinction between its role of governance and the actual management of the company's business conducted by the executive management team under the leadership and direction of the Managing Director.

The core purpose of the Board is to guide the affairs of the Company so as to best serve the interests of and continuously add value for its shareholders.

The Board's function includes:

- Strategic Plan - to define strategic direction for the business and ensure that suitable strategic analysis is undertaken and business plans prepared and regularly reviewed and performance monitored.
- CEO - to appoint a skilled and talented CEO and ensure that the CEO is adequately rewarded for results achieved.
- Shareholder Prosperity - to adopt appropriate policies to reward shareholders for their investment in the company including dividends, retained earnings and market value of shares.
- Meetings - to meet at least nine times and with sufficient frequency to fulfil the core purpose.
- Diversity Culture – Capilano aims to actively promote a corporate culture that supports diversity in the workplace, in the composition of its Board and senior management and throughout the Capilano Group as a whole.
- Listing Rules - to monitor lodgement and disclosure requirements and to ensure compliance with all listing rules of the Australian Stock Exchange.
- Board Structure - to consider changes to Board structure when appropriate to improve the Board's ability to achieve the core purpose.
- Management Resources - to ensure that the company maintains a management team of skilled and talented executives whose rewards reflect their contributions to company achievements.

- Information - to review the content, style and frequency of reports provided by management and request changes when required.
- Risk Management - to ensure that adequate risk identification and risk management functions are in place and regularly monitored.
- Financial Performance - to establish financial performance objectives and regularly review operational results.
- Annual Budgets - to approve annual operating budgets and capital investment budgets.
- Funding - to ensure that the company has access to adequate funds to provide working capital and investment capital.
- Operational Policies - to establish policies to guide management in key operational areas including quality, safety, security, foreign currency management and remuneration.
- Board Committees - to review annually the functions and membership of Board Committees.
- Financial Statements and Audit - to ensure that the statutory financial statements are prepared in accordance with all relevant standards and regulations and that the annual audit is conducted ethically, professionally and independently of management and the Board.
- Statutory Compliance - to regularly review the operation of the Corporate Compliance Program and compliance sign-offs from senior management.
- Report to Shareholders (see below).
- Community Obligations - to recognise that the company has community, industry and social obligations and ensure that appropriate policies are in place to guide the company's conduct so that it is, and is seen to be a responsible corporate citizen.

The Board has responsibility for the matters specified above and, in addition to those matters reserved to it by law, reserves to itself the following matters and all power and authority in relation to those matters:

- Composition of the Board itself;
- Oversight of the Group including its control and accountability systems;
- Appointment and the removal of the CEO;
- Appointment and the removal of the the Secretary;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Monitoring senior management's performance;
- Approving strategy and monitoring implementation;
- Approving of major capital expenditure, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Monitor relevant industry developments;
- Developing suitable key indicators of financial performance;
- Overall corporate governance of the Group; and
- Oversight of committees.

7. SIGNIFICANT INFORMATION

7.9 Corporate Governance Statement (continued)

The composition of the Board is determined according to the following principles:

- The Board should comprise members with a broad range of experience, expertise and skills relevant to the Group and its business.
- The Board of CHL will be comprised of Beekeeper Directors, Independent Directors, and may include a Managing Director.
- The number of Directors shall not be less than 3 nor more than 8, which the Board may from time to time determine.
- The constitution of CHL provides that as long as the Foundation Share is on issue, the Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors of the Company from time to time by written notice to the Company.
- The Beekeeper Directors shall be those persons appointed by the Foundation Shareholder.
- Independent Directors shall be elected by the shareholders.
- The Board Chairman and Deputy Chairman are elected by the Directors.
- Subject to the limits in the constitution, the number of Directors may be increased where the Board considers that additional expertise is required in specific areas

Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

The Board may establish committees to assist it in carrying out its function and will adopt a charter for each committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements.

The committees currently established and subsisting are the following:

- Audit and Compliance Committee;
- Human Resources and Remuneration Committee - This committee is responsible for reviewing and recommending executive management remuneration and incentive plans, human resource and occupational health & safety issues and reporting to the Board on these matters.
- Honey Supply & Industry - This committee advises the Board on matters related to honey supply and the industry generally.
- Nomination - This committee advises the Board of suitable candidates with the qualifications, skills and expertise for appointment to any vacancy occurring from time to time.

The Directors must comply with the Code of Ethics in the exercise of their duties.

The Constitution permits Directors to acquire Securities. Company policy is disclosed in the Code of Conduct for Transactions in Securities.

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders as follows:

- a) The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board.
- b) The annual report is distributed to all shareholders that have elected to receive a copy and is also made available on the ASX website and company website.
- c) Proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of Directors are submitted to a vote of shareholders at an AGM. If resolutions are required to be put to Shareholders before the next AGM, a general meeting will be called. The Board encourages full participation of Shareholders at the AGM and at other general meetings.
- d) The external auditors will be requested to attend the AGM and be available to answer questions by Shareholders on the conduct of the audit and the preparation and content of the audit report.
- e) The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The report is lodged with and available from the ASX and the ASIC.
- f) Information concerning the Company and the Group, including copies of announcements made through the ASX and the annual report and half-yearly report, is made available to Shareholders and prospective investors in the Company on the Company's website.
- g) Maintain suitable other reporting to shareholders through the Annual General Meeting, Annual Report, District Meetings, newsletters and circulars and establish dialogue through regular contact by Beekeeper Services Manager, Directors and other management people.

Code of Conduct for Transactions in Securities

There are legal duties relating to transactions in securities. Heavy sanctions apply if these duties are breached. The major issue is price sensitive information or other confidential information.

The Board has adopted a code governing dealings in securities of the Company and the securities of certain other companies by key personnel.

The Board believes it is desirable that key personnel and other employees of the Company hold securities in the Company. Key personnel who wish to buy or sell (trade) securities in the Company must consider both the legal constraints and this code. They must abide by the spirit of this code as well as the letter of the law.

Key personnel in possession of price sensitive information must not trade in securities in the Company, either for short-term speculative gain or otherwise.

Trading in securities in the Company by key personnel is prohibited at the following times:

- (i) Between 1 January and 72 hours after the announcement to ASX of the half-yearly results of the Company;

7. SIGNIFICANT INFORMATION

7.9 Corporate Governance Statement (continued)

(ii) Between 1 July and 72 hours after the announcement to ASX of the audited final results of the Company; and

(iii) Such other times as are nominated by the Chairman and notified to key personnel from time to time.

Trading in securities in the Company by key personnel is permitted at other times.

Permission to trade in securities in the Company during the prohibited periods in section may be obtained in writing:

(i) in the case of any proposed trade by the Chairman - from another non-executive Director; and

(ii) in the case of a proposed trade by any other person - from the Chairman or, in the absence of the Chairman, a non-executive Director nominated by the Chairman for the purpose.

Permission may be given for trading if the approving person is satisfied that the transaction would not be:

(i) contrary to law;

(ii) for short term speculative gain;

(iii) to take advantage of insider knowledge; or

(iv) seen by the public, press, other Shareholders or ASX as unfair.

For example, approval to trade during the prohibited periods may be given if securities in the Company are to be sold to realise cash in a time of need or where securities in the Company are transferred from one member of a family or trust to another and to delay the transaction to the next permitted period would be detrimental to the family's affairs.

Code of Ethics and Values

The objective of this code is to give the Directors a guide to be followed in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations.

A Director has an obligation, at all times, to comply with the spirit and the principles of this code as well as the law.

Directors must:

- Act in good faith in the best interests of the Company and for a proper purpose;
- Act in the interests of all shareholders and to avoid any potential conflict of interest;
- Exercise a reasonable degree of care and diligence;
- Not make improper use of information; and
- Not make improper use of their position.

The directors must also act honestly and with a reasonable degree of care and diligence in the exercise of their powers and duties and the discharge of their duties.

The Company maintains directors' and officers' liability insurance.

A Director must be independent in judgement and actions and must take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.

Directors must observe confidentiality regarding all Board matters and all confidential information received by a Director in the course of the exercise of their duties.

A Director must not make improper use of information acquired as a Director.

A Director must not take improper advantage of their position as a Director.

No Director may allow any personal interest, or the interest of any associated person, to influence or prejudice their conduct or any Board or committee decision.

Diversity

Capilano aims to:

- a) comply with the diversity recommendations published by the ASX by establishing measurable objectives for achieving gender diversity;
- b) promote diversity among employees, consultants and senior management throughout the Capilano Group; and
- c) keep shareholders informed of Capilano's progress towards implementing and achieving its diversity objectives.

Capilano defines diversity as including, but not being limited to, gender, age, ethnicity and cultural background.

Capilano aims to promote a corporate culture that supports diversity in the workplace, in the composition of its Board and senior management and throughout the Capilano Group as a whole.

Capilano seeks to encourage and facilitate opportunities for the employment of women and people from different backgrounds, provide skills and career development initiatives, increase workforce participation and create an inclusive environment where employees feel they are valued.

Capilano acknowledges benefits flow from advancing employee and Board diversity, in particular gender diversity, including gap analysis of the skills and experience of employees, enhanced employee retention, greater innovation and maximisation of available talent to achieve corporate goals and better financial performance.

Capilano aims to select well-qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the corporate goals of the Capilano Group.

Capilano will aim for the following diversity commitments:

- a) through the Human Resources and Remuneration Committee ("HR Committee"), the Board will review and determine, as frequently as required, a diversity profile that meets the particular needs of the Capilano Group, including identifying the skill and experience set for the Board and senior management necessary to effectively oversee its business and achieve its corporate goals;

7. SIGNIFICANT INFORMATION

7.9 Corporate Governance Statement (continued)

- b) through the HR Committee, the Board will seek to ensure that the diversity profile is taken into account in the selection and appointment of qualified employees and senior management and will consider options in order to expand the pool of qualified candidates to select from;
- c) the Board will seek to ensure that the diversity profile is taken into account in the selection and appointment of qualified Board candidates; and
- d) the Board will seek to identify and consider programs and initiatives that:
 - assist in the development of a broader pool of skilled and experienced Board candidates, in particular women;
 - assist with enhancing employee retention, in particular that of women from middle management;
 - assist with minimising career disruption when employees take time out of the workplace to meet other obligations and attempt to re-enter the workforce.

While the key focus of this policy and the ASX recommendations is on promoting the role of women within organisations, Capilano recognises that other forms of diversity are also important and will seek to promote and facilitate a range of diversity initiatives throughout the Capilano Group.

The Board will aim to ensure that appropriate procedures and measures are introduced and responsibilities delegated to the HR Committee to ensure that Capilano's diversity commitments are implemented appropriately.

The Board, in consultation with the HR Committee, will set measurable objectives consistent with the particular needs of the Capilano Group for achieving diversity, in particular gender diversity, in accordance with this policy and the diversity profile set by the Board and will review the effectiveness and relevance of these measurable objectives on an annual basis.

In order to set meaningful objectives, the Board (in consultation with the HR Committee) will assess its current diversity levels and identify where gaps exist. Measurable objectives will then be developed which are consistent with the particular needs of the Capilano Group and tailored towards improving diversity in areas where most work is needed.

Capilano acknowledges that reporting to shareholders on its diversity profile and diversity objectives facilitates greater transparency and accountability in relation to diversity matters and that such reporting and transparency has been endorsed by the Board.

It is anticipated that shareholders will have greater confidence in Capilano and the Board if they are fully informed of the policies and the measurable objectives which have been implemented to facilitate the performance of the Capilano Group.

As part of its annual reporting requirements to shareholders, Capilano will disclose the measurable objectives set by the Board for achieving diversity in accordance with the diversity profile and will report on

its progress against those objectives. A copy of these measurable objectives may also be published on Capilano's website from time to time.

A component of Capilano's disclosure on diversity in its annual report will also include information about:

- a) the proportion of women employees in the Capilano Group;
- b) the number of women in senior management positions; and
- c) the number of women on the Board.

Audit and Compliance Committee ("Audit Committee")

The Audit Committee has been established by the Board to assist with the following:

- a) Independently verify and safeguard the integrity of the company's financial reporting; and
- b) Oversee the independence of the external auditors.

The Audit Committee has responsibility for the following:

- Monitoring the establishment of an appropriate internal control framework to ensure that they are effective to safeguard the Company's assets;
- Monitoring corporate risk assessment and compliance with internal controls;
- Overseeing business continuity planning and risk mitigation arrangements;
- Reviewing reports on any material defalcations, frauds and thefts from the Group;
- Monitoring compliance with the Constitution, and all relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;
- To ensure that the accounting records are properly maintained;
- Reviewing the nomination, performance and independence of the external auditors including provision of an assessment of the external auditor's performance;
- To provide an avenue of communication between the external auditors and the Board;
- The external audit plan is approved and the proposed external auditor's fees approved in conjunction with management;
- The Audit Committee meets with the external auditors at least at the completion of the annual audit and the half yearly review of the Company's accounts to confirm the financial statements, address any queries and receive the auditor's evaluation of management's presentation of the financial accounts, policies and procedures;
- Reviewing management processes supporting external reporting;
- The financial statements and financial information provided to the Board, shareholders and others is reliable; and
- Reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

7. SIGNIFICANT INFORMATION

7.9 Corporate Governance Statement (continued)

The Audit Committee comprises a majority of non-executive directors and may include the Managing Director. There shall be a minimum of three members. The Board shall appoint a chairman who is not the chairman of the Board. Membership of the Audit Committee shall be reviewed by the Board annually. Whilst the ASX Corporate Governance Council recommends that the Audit Committee should consist of at least three members, all of whom are non-executive directors and with the majority being independent directors, the Board is of the view that to meet this recommendation a change to the board structure would be required which due to the size of the company would be an unnecessary expense for the company and its shareholders.

Human Resources and Remuneration Committee (“HR Committee”)

The role of the HR Committee is to advise on:

- a) remuneration and issues relevant to remuneration policies and practices for senior management; and
- b) human resource and occupational health & safety issues.

The HR Committee has responsibility for the following:

- Reviewing and evaluating market practices and trends in relation to remuneration relevant to the Group;
- Reviewing and making recommendations to the Board in relation to the Group’s remuneration policies and practices for senior management;
- Preparing for the Board any report that may be required under applicable legal or regulatory requirements in relation to remuneration matters;
- It is the policy of the Company that the workplace environment complies with legislation and current best practice in workplace health and safety at all times;
- Ensuring management see that everything reasonably practicable is done to prevent personal injury or ill health in the process of the organisation’s operations, including the preparation of appropriate procedures, training, documentation and monitoring; and
- Participating in the setting of the diversity policies and the implementing of those policies.

The HR Committee consists of three non executive Directors and may include the Managing Director with an independent non-executive director being the chairman of the HR Committee.

Honey Supply and Industry Committee (“HSI Committee”)

The role of the HSI Committee is to advise the Board on matters related to honey supply and the industry generally.

The HSI Committee has responsibility for the following:

- Making recommendations for the honey price;
- Establishing the honey quota pool limit and establishing who may supply;
- Making recommendations about changes to the honey quota pool; and
- Providing a forum for a review of industry related affairs.

The HSI Committee consists of the CBL appointed directors and may include the Managing Director with a CBL appointed director being the chairman of the HSI Committee.

Nomination Committee

The role of the Nomination Committee is to examine and advise the Board on the selection and appointment practices of the Company.

The Nomination Committee has responsibility for the following:

- reviewing and reporting on the necessary and desirable competencies of directors;
- review of board succession plans;
- the development of a process for the evaluation of the performance of the board, its committees and directors; and
- the appointment and re-election of directors.

The Nomination Committee consists of three non executive Directors with a non-executive director being the chairman of the Nomination Committee.

7.10 ASX Waiver

The Company has applied to ASX for waivers seeking in-principle advice in relation to, amongst other things, CBL’s director appointment rights. ASX has decided that the Company’s structure and operations, in relation to the Foundation Shareholder having the right to appoint 2 Beekeeper Directors to the Company’s board are appropriate for the purposes of ASX Listing Rule 1.1 Condition 1, on the following conditions:

- members approve an amendment to the Company’s constitution that has the effect that the Foundation Shareholder’s right to appoint Beekeeper Directors falls away if the main undertaking of the Company ceases to be in the sale or marketing of honey; and
- The Beekeeper Directors are subject to the ordinary rotation provisions for directors in the ASX Listing Rules and in the event that a Beekeeper Director is not re-elected or is voted off the Company’s board, that Beekeeper Director may not be reappointed immediately by the Foundation Shareholder.

The relevant amendment to the Company’s constitution was approved on 4 May 2012.

7.11 CBL Agreement

On 4 May 2012, CBL provided a letter to the Company confirming that, for as long as CHL is listed on the ASX:

- Beekeeper Directors will be subject to the same Rotation provisions as the other directors;
- CBL may not seek to immediately reappoint a Beekeeper Director in the event that a Beekeeper Director is not re-elected or voted off CHL’s board;
- A re-elected Beekeeper Director will continue to be a Beekeeper Director for the purposes of CHL’s constitution i.e. the re-elected Director continues to be an appointee of the Foundation Shareholder; and
- CBL will ensure that any Foundation Shareholder who succeeds CBL agrees to the terms set out in the letter before it becomes the Foundation Shareholder.

7. SIGNIFICANT INFORMATION

7.12 CHESSE

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (CHESSE), in accordance with the Listing Rules and the ASTC Settlement Rules.

CHESSE is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in the ASTC Settlement Rules), holdings will be registered in one of two subregisters, an electronic CHESSE subregister or an issuer sponsored subregister.

Following completion of the listing process, investors will be sent an initial statement of holding that sets out the number of Shares that they will hold in the Company. This statement will also provide details of the Shareholder's Holder Identification Number (HIN) or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored Shareholders.

Shareholders will subsequently be issued statements showing any changes to their shareholding. Certificates will not be issued.

7.13 Directors' Authorisation

This Information Memorandum is issued by the Company and each Director has authorised that this Information Memorandum be signed on and dated 11 May 2012.



R D Masters
Managing Director

8. DEFINED TERMS

ASIC

Australian Securities and Investments Commission.

ASX

Australian Securities Exchange.

ASX Listing Rules or Listing Rules

Listing rules of ASX.

Beekeeper Director

A person who is appointed as a CHL director by the Foundation Shareholder.

Board

The board of directors of the Company.

BSX

Bendigo Stock Exchange (www.bsx.com.au).

Capilano

A registered trademark owned by the Company.

CBL

Capilano Beekeepers Ltd (ACN 108 568 672).

CHL Group or Group

A consolidated entity consisting of CHL, the holding company and its subsidiary company.

The Company or CHL

Capilano Honey Limited (ABN 55 009 686 435) and where applicable its subsidiaries.

Constitution

The constitution of CHL.

EFT

Electronic Funds Transfer.

FMCG

Fast moving consumer goods.

Foundation Share

A foundation share in CHL which is on issue to CBL.

Foundation Shareholder

CBL.

FY

Financial year, being the 12 month period from July to June.

Honey Supply Agreement or HSA

An Agreement between suppliers and the Company for the supply of honey.

HSBC

HSBC Bank Australia Ltd (ABN 48 006 434 162).

Industrial Bulk Honey

Honey used as an ingredient in manufactured food products.

Intermediate Bulk Container or IBC

1400kg honey storage container.

Law

The *Corporations Act 2001* (Cth).

LVR

Loan to Value Ratio.

Pfund

A measure of honey colour.

Quota Price

Price paid to CHL Supplier Shareholders for quota honey supplied in accordance with their HSA.

Retains

Amounts which may be deducted by the Company pursuant to HSAs, and which may be retained by the Company as unsecured loans for up to five years.

Shareholder

A holder of Shares in CHL.

Shares

Ordinary shares in CHL.

Supplier Shareholder

A shareholder who is a party to a current HSA.

9. CORPORATE DIRECTORY

Company

CHL Honey Limited
ABN 55 009 686 435

Registered Office

399 Archerfield Road
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Ph: 07 3712 8282
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Email: honey@capilano.com.au
Website: www.capilano.com.au

Postal Address

PO Box 531
INALA QLD 4077

Directors

Roger D Masters
Phillip F McHugh
Trevor R Morgan
Simon L Tregoning

Secretary

David Graham

Share Registry

Link Market Services
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BRISBANE QLD 4000

Auditors

William Buck Chartered Accountants
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307 Queen Street
BRISBANE QLD 4000

Lawyers

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SYDNEY NSW 2000