



2 November 2018

COMPANY ANNOUNCEMENT

Capilano Receives Improved Offer from the Consortium and Provides Supplementary Disclosure

Capilano Honey Limited (ASX:CZZ) (**Capilano**) is pleased to announce that Wattle Hill RHC Fund 1 and ROC Capital Pty Limited (the **Consortium**) have agreed to increase the Cash Consideration from \$20.06 to \$21.00 under the proposed scheme of arrangement between Capilano and its shareholders, under which it is proposed that Bravo BidCo Pty Limited (**BidCo**), an entity owned by Bravo HoldCo Pty Limited (**HoldCo**) which is indirectly owned by the Consortium, will acquire 100% of the shares in Capilano (**Scheme**).

If the Scheme is approved and implemented, Capilano Shareholders will receive the following (based on their choice made prior to the Election Time):

- **Cash Consideration:** cash of \$21.00 per Capilano Share in respect of all of their Capilano Shares held as at the Scheme Record Date; or
- **Scrip Consideration:** there is no change to the Scrip Consideration – 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and
- **HoldCo Share Offer:** there is an increase to the subscription price – if they have elected to receive the Scrip Consideration, an additional right to subscribe for 0.5 HoldCo Shares for each Capilano Share they hold as at the Scheme Record Date at the Increased Subscription Price of \$21.00 cash per HoldCo Share.

Following approval by the Federal Court of Australia today, Capilano has released the attached Supplementary Disclosure to update Capilano shareholders on details of the improved offer as described above and amendments to the Scheme.

A copy of the Supplementary Disclosure, together with a supplementary letter from the Independent Expert, is attached to this announcement. The Independent Expert has maintained its conclusion that the Scheme is fair and reasonable and in the best interests of Capilano Shareholders on the basis of the Cash Consideration. Copies of the Supplementary Disclosure will be sent to Capilano shareholders by mail or through an emailed link in accordance with their registered communications preferences.

Capilano Chairman, Trevor Morgan stated *"We are very pleased to be able to announce this increase to the Cash Consideration, which represents an even better deal for Capilano shareholders. The Capilano Directors unanimously recommend that Capilano Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders."*

Key Dates

The key dates for Capilano Shareholders to submit their elections and the implementation of the Scheme are set out in the Supplementary Disclosure and are as follows:

Event	Time and date
Election Time Latest time and date for Eligible Capilano Shareholders to submit their election for Scrip Consideration and, if eligible, to apply for HoldCo Shares under the HoldCo Share Offer (subject to the Scaleback Arrangements)	Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
Capilano announces indicative Scaleback based on the Elections lodged by the Election Date This announcement will also confirm, on an indicative basis, whether a custodian will be required to hold HoldCo Shares on Implementation	Tuesday, 6 November 2018

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Latest time and date for receipt of Proxy Forms (including proxies lodged online) or powers of attorney by the Capilano Share Registry for the Scheme Meeting	Tuesday, 13 November 2018 at 11.00am (Brisbane time)
Last Withdrawal Date for Elections in respect of the Scrip Consideration and the HoldCo Share Offer¹	Tuesday, 13 November 2018 at 12.00pm (Sydney time) or 11.00am (Brisbane time)
Time and date for determining eligibility to vote at the Scheme Meeting	Tuesday, 13 November 2018 at 7.00pm (Sydney time) or 6.00pm (Brisbane time)
Capilano announces updated indicative Scaleback based on the Elections lodged by the Election Date and withdrawals lodged by the Last Withdrawal Date	Wednesday, 14 November 2018
Scheme Meeting	Thursday, 15 November 2018, 11.00am (Brisbane time)
Scheme Meeting Date <i>Assuming the Scheme is approved by Capilano Shareholders at the Scheme Meeting, this will be the last day for trading in Capilano Shares (Capilano Shares will be suspended from trading on ASX from close of trading on this date)</i>	Thursday, 15 November 2018

If the Scheme is approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting:

Second Court Date	Thursday, 22 November 2018
Effective Date	Friday, 23 November 2018
Scheme Record Date (for determining entitlements to Scheme Consideration)	Wednesday, 28 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
Expected ASX announcement of final Election results, including final scaleback if applicable This announcement will also confirm whether a custodian will be required to hold HoldCo Shares on Implementation	Thursday, 29 November 2018
Implementation Date (Scheme Shareholders will receive the Scheme Consideration on the Implementation Date)	Wednesday, 5 December 2018

For further information, please contact Capilano Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia).

For more information contact:

Capilano Representative

Annette Zbasnik
07 3712 8282

Media Representative

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¹ Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

Capilano Scheme Booklet – Supplementary Disclosure

1. Update on the Scheme

Key points

- Since the issue of the Scheme Booklet, Capilano Honey Limited (**Capilano**) has received an improved offer from the Consortium, which means, if the Scheme is approved and implemented, Capilano Shareholders will receive the following:
 - **Cash Consideration:** cash of \$21.00 per Capilano Share in respect of all of their Capilano Shares held as at the Scheme Record Date (**Increased Cash Consideration**); or
 - **Scrip Consideration:** there is no change to the Scrip Consideration – 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and
 - **HoldCo Share Offer:** there is an increase to the subscription price – if they have elected to receive the Scrip Consideration, an additional right to subscribe for 0.5 HoldCo Shares for each Capilano Share they hold as at the Scheme Record Date at the Increased Subscription Price of \$21.00 cash per HoldCo Share (**Increased Subscription Price**).
- If you have not yet made an Election, you may do so until the Election Time on Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time), noting that the Increased Cash Consideration is the default option if no Election is made.
- If you have already made an Election to receive the Cash Consideration no action is required, the Increased Cash Consideration will apply to that Election.
- If you have already made an Election to receive the Scrip Consideration or additional HoldCo Shares under the HoldCo Share Offer, you may:
 - **Maintain your Election to receive the Scrip Consideration:** no action required;
 - **Maintain your Election to subscribe for additional HoldCo Shares by paying more:** to maintain your Election to subscribe for additional HoldCo Shares you will need to pay an additional amount to account for the Increased Subscription Price by no later than 11.00am (Brisbane time) or 12.00pm (Sydney time) on Tuesday, 13 November 2018 (**Last Withdrawal Date**)¹. If additional Subscription Monies are not received by this date you will be deemed to have exercised your Withdrawal Right; or
 - **Withdraw your Elections:** to do so you will need to provide written notice to Capilano, via its Share Registry, Link Market Services, before the Last Withdrawal Date, stating that you are exercising your right to withdraw your Election (**Withdrawal Right**). Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.
- There has been no change to your Directors' recommendation to vote in favour of the Scheme Resolution, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.
- The Independent Expert has maintained its conclusion that the Scheme is fair and reasonable and in the best interests of Capilano Shareholders on the basis of the Increased Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration, however, in the Independent Expert's Report, the Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. This is less than the Increased Subscription Price of \$21.00 which a Capilano Shareholder would need to pay for HoldCo Shares under the HoldCo Share Offer.
- Wroxby Pty Limited has confirmed to Capilano that, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement), it intends to vote in favour of the Scheme and to elect to receive the Scrip Consideration rather than the Increased Cash Consideration.
- The Scheme Meeting is to be held on Thursday, 15 November 2018 at 11.00am (Brisbane time) at

¹ Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.

- Proxy Votes must be submitted by 11.00am (Brisbane time) on Tuesday, 13 November 2018.
- Based on Capilano's analysis of its most recent trading figures, Capilano has provided a trading update in this Supplementary Disclosure.
- You should read the Scheme Booklet and this Supplementary Disclosure before voting on the Scheme.

1.1 Background

This document (**Supplementary Disclosure**) follows and supplements the Scheme Booklet dated 11 October 2018 relating to the proposal for the acquisition of all Capilano Shares by BidCo, a subsidiary of HoldCo, by way of scheme of arrangement.

This Supplementary Disclosure is intended to be read with the Scheme Booklet. A copy of this Supplementary Disclosure has been provided to ASIC and ASX. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Supplementary Disclosure.

1.2 Key Dates

Event	Time and date
Election Time Latest time and date for Eligible Capilano Shareholders to submit their election for Scrip Consideration and, if eligible, to apply for HoldCo Shares under the HoldCo Share Offer (subject to the Scaleback Arrangements)	Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
Capilano announces indicative Scaleback based on the Elections lodged by the Election Date This announcement will also confirm, on an indicative basis, whether a custodian will be required to hold HoldCo Shares on Implementation	Tuesday, 6 November 2018
Latest time and date for receipt of Proxy Forms (including proxies lodged online) or powers of attorney by the Capilano Share Registry for the Scheme Meeting	Tuesday, 13 November 2018 at 11.00am (Brisbane time)
Last Withdrawal Date for Elections in respect of the Scrip Consideration and the HoldCo Share Offer²	Tuesday, 13 November 2018 at 12.00pm (Sydney time) or 11.00am (Brisbane time)
Time and date for determining eligibility to vote at the Scheme Meeting	Tuesday, 13 November 2018 at 7.00pm (Sydney time) or 6.00pm (Brisbane time)
Capilano announces updated indicative Scaleback based on the Elections lodged by the Election Date and withdrawals lodged by	Wednesday, 14 November 2018

² Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

Event	Time and date
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the Last Withdrawal Date²

Scheme Meeting	Thursday, 15 November 2018, 11.00am (Brisbane time)
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Scheme Meeting Date	Thursday, 15 November 2018
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Assuming the Scheme is approved by Capilano Shareholders at the Scheme Meeting, this will be the last day for trading in Capilano Shares (Capilano Shares will be suspended from trading on ASX from close of trading on this date)

If the Scheme is approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting:

Second Court Date	Thursday, 22 November 2018
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Effective Date	Friday, 23 November 2018
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Scheme Record Date (for determining entitlements to Scheme Consideration)	Wednesday, 28 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
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Expected ASX announcement of final Election results, including final scaleback if applicable	Thursday, 29 November 2018
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This announcement will also confirm whether a custodian will be required to hold HoldCo Shares on Implementation

Implementation Date (Scheme Shareholders will receive the Scheme Consideration on the Implementation Date)	Wednesday, 5 December 2018
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1.3 Increase to the Scheme Consideration

The Scheme Implementation Agreement dated 13 August 2018 provided for Capilano Shareholders to receive \$20.06 per Capilano Share as Cash Consideration in connection with the Scheme. As announced today, Capilano is pleased to inform its shareholders that the Consortium has agreed to increase the Cash Consideration from \$20.06 to \$21.00 for each Capilano Share on Implementation of the Scheme.

If the Scheme is approved and implemented, Capilano Shareholders will receive the following (based on their choice made prior to the Election Time):

- **Cash Consideration:** cash of \$21.00 per Capilano Share in respect of all of their Capilano Shares held as at the Scheme Record Date; or
- **Scrip Consideration:** there is no change to the Scrip Consideration – 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and

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- **HoldCo Share Offer:** there is an increase to the subscription price – if they have elected to receive the Scrip Consideration, an additional right to subscribe for 0.5 HoldCo Shares for each Capilano Share they hold as at the Scheme Record Date at the Increased Subscription Price of \$21.00 cash per HoldCo Share.

There is no change to the Election Time being Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time). However, Elections to receive the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer may be withdrawn at any time before the Last Withdrawal Date, being 12.00pm (Sydney time) or 11.00am (Brisbane time) on Tuesday, 13 November 2018 (see below in Section 1.4 of this Supplementary Disclosure). Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

Please read the Scheme Booklet in its entirety, together with this Supplementary Disclosure, before making or withdrawing an Election. There are very important notices and warnings in relation to the Scrip Consideration and the HoldCo Share Offer, including the risks that apply to an investment in HoldCo following Implementation which are materially different from, and in addition to, those that apply to your existing investment in Capilano. If the risks that apply to an investment in HoldCo following Implementation conflict with a Capilano Shareholder's individual risk profile, that Capilano Shareholder should strongly consider electing to receive the Cash Consideration.

1.4 Increase to the HoldCo Share Offer subscription price

As noted above, to subscribe for additional HoldCo Shares under the HoldCo Share Offer, Capilano Shareholders who have elected to receive the Scrip Consideration must pay the Increased Subscription Price of \$21.00 cash per HoldCo Share. The Independent Expert has calculated in the Independent Expert's Report that the HoldCo Share is valued in the range of \$11.36 to \$15.65 on a minority interest basis. This is less than the Increased Subscription Price of \$21.00 which a Capilano Shareholder would need to pay for HoldCo Shares under the HoldCo Share Offer.

If you want to subscribe for additional HoldCo Shares under the HoldCo Share Offer but have not yet made an Election, you may do so until the Election Time on Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time).

If you have already made an Election to receive the Cash Consideration no action is required, the Increased Cash Consideration will apply to that Election.

If you have already made an Election to receive the Scrip Consideration or additional HoldCo Shares under the HoldCo Share Offer, you may:

- **Maintain your Election to receive the Scrip Consideration:** no action required;
- **Maintain your Election to subscribe for additional HoldCo Shares by paying more:** to maintain your Election to subscribe for additional HoldCo Shares you will need to pay an additional amount of \$0.94 per HoldCo Share which you have subscribed for to account for the Increased Subscription Price by no later than the Last Withdrawal Date³. If additional Subscription Monies are not received by this date you will be deemed to have exercised your Withdrawal Right, and you will receive a

³ Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

refund of the amount that you previously paid in order to subscribe for additional HoldCo Shares under the HoldCo Share Offer (without interest); or

- **Withdraw your Elections:** to do so you will need to provide written notice to Capilano, via its Share Registry, Link Market Services, before the Last Withdrawal Date⁴, stating that you are exercising your Withdrawal Right. If you have made an Election to receive Scrip Consideration and to participate in the additional HoldCo Share Offer, please indicate to Link Market Services, if you would like to withdraw from both your Election for Scrip Consideration and your Election to participate in the HoldCo Share Offer, or alternatively, if you would like to withdraw your Election to participate in the HoldCo Share Offer only. If you are only withdrawing from participation in the HoldCo Share Offer, you will still receive the Scrip Consideration in respect of your Election.

As outlined above, in order to exercise their Withdrawal Right, Capilano Shareholders must provide written notice to Capilano, via its Share Registry, Link Market Services, before the Last Withdrawal Date, stating that they are exercising their Withdrawal Right. Capilano Shareholders must provide such written notice via one of the following so that it is received by Capilano before the Last Withdrawal Date:

- **By email to:** capitalmarkets@linkmarketservices.com.au;
- **By post to:** Capilano Honey Limited C/- Link Market Services Limited, PO Box 1519, SYDNEY SOUTH NSW 1234; or
- **By hand to:** Capilano Honey Limited C/- Link Market Services Limited, 1A Homebush Bay Drive, RHODES NSW 2138.

Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

Capilano Shareholders, who have applied for additional HoldCo Shares under the HoldCo Share Offer at the original Subscription Price of \$20.06 per HoldCo Share and still wish to participate in the HoldCo Share Offer, must pay the additional Subscription Monies of \$0.94 per HoldCo Share (**Additional Subscription Monies**) necessary to satisfy the Increased Subscription Price in respect of the number of HoldCo Shares that they previously applied for under the HoldCo Share Offer before the Last Withdrawal Date. If they do not pay the Additional Subscription Monies by this time, they will be deemed to have exercised their Withdrawal Right.

A Capilano Shareholder who exercises their Withdrawal Right in respect of their Election to participate in the HoldCo Share Offer before the Last Withdrawal Date will be refunded any Subscription Monies which they previously paid for HoldCo Shares under the HoldCo Share Offer (without interest) as soon as practicable after notifying Capilano in writing of their withdrawal. If such Capilano Shareholder only notifies Capilano, via Link Market Services, that they are withdrawing their Election to participate in the HoldCo Share Offer and does not indicate that they are also withdrawing their Election for Scrip Consideration, they will still receive Scrip Consideration in respect of their Capilano Shares held as at the Scheme Record Date. However, any such Capilano Shareholder who also exercises their Withdrawal Right in respect of their Election to receive Scrip Consideration will receive the Increased Cash Consideration of \$21.00 per Capilano Share for all of their Capilano Shares held as at the Scheme Record Date.

⁴ Capilano Shareholders who miss this deadline can call the Shareholder Information Line on 1300 795 998 to see whether a discretionary late withdrawal is possible.

Any Capilano Shareholder who, before the date of the Supplementary Disclosure, lodged an Election Form to receive the Scrip Consideration or a Subscription Form with Subscription Monies to participate in the HoldCo Share Offer will be contacted by Capilano or the Capilano Share Registry, Link Market Services, by email or telephone in connection with the above.

1.5 No change to the Independent Expert's conclusion in relation to the Scheme

The Independent Expert has maintained its conclusion that the Scheme is fair and reasonable and in the best interests of Capilano Shareholders on the basis of the Cash Consideration. As previously concluded, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders.

The Independent Expert has calculated in the Independent Expert's Report that the value of a HoldCo Share is in the range of \$11.36 to \$15.65 on a minority interest basis. This is less than the Increased Subscription Price of \$21.00 per HoldCo Share, which a Capilano Shareholder would need to pay to acquire HoldCo Shares under the HoldCo Share Offer.

A copy of the Independent Expert's Supplementary Letter is contained in Annexure A. You should read the Independent Expert's Supplementary Letter, as well as the Independent Expert's Report (contained in Annexure A to the Scheme Booklet released to ASX on 11 October 2018) in their entirety as part of your assessment of the Scheme and before voting on the Scheme Resolution.

1.6 No change to the Capilano Directors' recommendation in relation to the Scheme

The Capilano Directors continue to unanimously recommend that Capilano Shareholders approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders. The basis for the Independent Expert's conclusion is solely in relation to the Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis. The Capilano Directors have recommended that you approve the Scheme by voting in favour of the Scheme Resolution based on the quantum of the Cash Consideration. Further, the Capilano Directors intend to vote all of the Capilano Shares held or controlled by them in favour of the Scheme.

The Capilano Directors continue to make no recommendation in relation to the Scrip Consideration and the HoldCo Share Offer, due to the speculative nature of the HoldCo Shares and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor. Eligible Capilano Shareholders who are considering making an Election for Scrip Consideration for their Scheme Shares or to participate in the HoldCo Share Offer should:

- take into account the Scaleback Arrangements set out in Section 7.4(c) of the Scheme Booklet which may affect the number of HoldCo Shares that will actually be received;
- take into account that the HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or

Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of the Scheme Booklet;

- take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of the Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;
- carefully consider the matters set out in Section 9 of the Scheme Booklet and the risk factors set out in Section 10 of the Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;
- note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of the Scheme Booklet;
- carefully consider the tax considerations set out in Section 11 of the Scheme Booklet and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of the Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis and while no conclusion has been made in relation to the Scrip Consideration or the HoldCo Share Offer, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis; and
- consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives.

1.7 Intention of Wroxby Pty Limited

Wroxby Pty Limited has confirmed to Capilano that, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement), it intends to vote in favour of the Scheme and to elect to receive the Scrip Consideration rather than the Increased Cash Consideration.

2. Information about HoldCo and BidCo

Other than the Illustrative sources and uses of funds of the HoldCo Group at the Implementation Date and increases to the cash funding arrangements in respect of the Increased Cash Consideration, there have been no changes to the information about BidCo and HoldCo in the Scheme Booklet.

2.1 Updated illustrative sources and uses of funds of the HoldCo Group at the Implementation Date

Given the Increased Cash Consideration and the Increased Subscription Price, the following scenarios are shown to illustrate the potential sources and uses of funds of the consolidated HoldCo Group (including Capilano) which may eventuate at the Implementation Date. Each of these scenarios is based on a number of assumptions which are unlikely to reflect the actual outcome of events at the Implementation Date and should be considered as illustrative only.

These scenarios should be read together with section 9.2 of the Scheme Booklet which provides additional information regarding HoldCo and its illustrative capital structure and sources and uses of funds at the Implementation Date.

It is important to understand that the funds raised under the HoldCo Share Offer will be used by HoldCo and BidCo to fund part of the Scheme Consideration payable to those Scheme Shareholders who receive Cash Consideration under the Scheme.

This means that the funds raised under the HoldCo Share Offer will not be used to fund the working capital or other capital requirements of the Capilano business after Implementation.

i) Elections in respect of 10.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 10.0% of all Scheme Shares make Elections to receive the Scrip Consideration and all of those Scheme Shareholders also make Elections to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 90.0% of the Scheme Shares, comprising 85% provided by the Consortium and 5% provided by shareholders participating in the HoldCo Share Offer; and
- HoldCo will issue 472,874 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$21.00 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$21.00 for 8,038,858 shares)	[\$] \$168,816,018
Cash provided by shareholders participating in the HoldCo Share Offer (\$21.00 for 472,874 shares)	[\$] \$9,930,354
Total sources of funds	[\$] \$178,746,372
Uses	
Payment of cash to Scheme Shareholders (\$21.00 for 8,511,732 shares)	[\$] \$178,746,372
Total uses of funds	[\$] \$178,746,372

ii) Elections in respect of 30.0% of Scheme Shares to receive the Scrip Consideration only, and Elections in respect of 30.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 30.0% of all Scheme Shares make Elections to only receive the Scrip Consideration and Scheme Shareholders who hold 30.0% of all Scheme Shares make Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 65.1% of the Scheme Shares; and
- HoldCo will issue 1,418,622 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$21.00 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$21.00 for 4,738,199 shares)	[\$] \$99,502,179
Cash provided by shareholders participating in the HoldCo Share Offer (\$21.00 for 1,418,622 shares)	[\$] \$29,791,062

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Total sources of funds	[\\$] \$129,293,241
Uses	
Payment of cash to Scheme Shareholders (\$21.00 for 6,156,821 shares)	[\\$] \$129,293,241
Total uses of funds	[\\$] \$129,293,241

iii) Elections in respect of 100.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 100.0% of all Scheme Shares make Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 66.7% of the Scheme Shares, comprising 50.1% provided by the Consortium and 16.6% provided by shareholders participating in the HoldCo Share Offer; and
- HoldCo will issue 1,573,094 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$21.00 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$21.00 for 4,738,199 shares)	[\\$] \$99,502,179
Cash provided by shareholders participating in the HoldCo Share Offer (\$21.00 for 1,573,094 shares)	[\\$] \$33,034,974
Total sources of funds	[\\$] \$132,537,153
Uses	
Payment of cash to Scheme Shareholders (\$21.00 for 6,311,293 shares)	[\\$] \$132,537,153
Total uses of funds	[\\$] \$132,537,153

2.2 Updated funding arrangements

This section should be read together with section 9.5 of the Scheme Booklet which provides additional information regarding funding of the Scheme Consideration.

(a) Updated consideration payable by BidCo

The consideration for the acquisition of the Capilano Shares to which the Scheme relates will be satisfied by a combination of cash paid by BidCo and the issue of HoldCo Shares.

Based on the number of Capilano Shares to which the Scheme relates (being all Capilano Shares on issue) and the Increased Cash Consideration:

- the maximum Cash Consideration that will be payable by BidCo is:
 - approximately \$178,746,372 in the scenario where 10% minimum Elections of the Scrip Consideration are received all validly electing to participate in the HoldCo Share Offer – this would be satisfied by the Consortium funding \$168,816,036 (see paragraph (b) below) and the remainder being funded through the proceeds of the HoldCo Share Offer; and
 - approximately \$168,816,036 in the scenario where 15% minimum Elections of the Scrip Consideration are received without any electing to participate in the HoldCo Share Offer – this would be satisfied by the Consortium funding all \$168,816,036 (see paragraph (b) below); and
- the Maximum Available HoldCo Shares that would be issued by HoldCo (on the assumption that Scaleback Arrangements apply) is 4,719,283 HoldCo Shares.

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The Scheme is still not subject to a financing condition.

(b) Updated Cash funding arrangements

Given the Increased Cash Consideration and the Increased Subscription Price, HoldCo has been provided a legally binding equity commitment letter from the Consortium dated 1 November 2018 (**Increased Equity Commitment Letter**) under which each of Wattle Hill and ROC irrevocably commits to pay to HoldCo its respective proportion of the lower of:

- \$168,816,036 (note that this is less than the maximum Cash Consideration that will be payable by BidCo as described in paragraph (a) above given that the maximum holding of the Consortium is 85% of the HoldCo Shares under the terms of the Scheme); and
- the aggregate of all Cash Consideration amounts payable under the Scheme, provided that such amount will be reduced to the extent covered by the cash subscription amounts received under HoldCo Share Offer.

The respective proportion of each of Wattle Hill and ROC for that purpose is 50%, or such other percentage as may be agreed by Wattle Hill and ROC (which must total 100%).

The terms of the Increased Equity Commitment Letter otherwise remain as described in section 9.5(b) of the Scheme Booklet.

Wattle Hill

As at the date of this Supplementary Scheme Booklet, Wattle Hill has uncalled pre-committed capital in excess of its respective proportion of the maximum amount of funds potentially payable by Wattle Hill to HoldCo pursuant to the Increased Equity Commitment Letter. The terms of such arrangements otherwise remain as described in section 9.5(b) of the Scheme Booklet.

ROC

As at the date of this Supplementary Scheme Booklet, the ROC B&Y Investment Trust has uncalled pre-committed capital in excess of the respective proportion of funds payable by ROC to HoldCo pursuant to the Increased Equity Commitment Letter. The terms of such arrangements otherwise remain as described in section 9.5(b) of the Scheme Booklet.

3. Trading update

Based on Capilano's analysis of its most recent trading figures, the following factors have impacted Capilano's trading and (as Capilano has informed the Consortium) are expected to have a negative impact on profitability for the first half of the financial year:

- Changes to domestic retail ranging in-conjunction with adverse media publicity for the honey industry, has unfavourably impacted sales revenue;
- Heightened product pricing competition in the market segments in which we operate;
- A deep dive price reduction campaign, conducted last year but not undertaken this financial year, has resulted in reduced revenue this half year;
- Domestic and export industrial bulk sales have declined due to our largest domestic bulk industrial customer ceasing manufacture of its products locally and increased competition in international markets from cheaper origin honeys;
- Export retail sales into China have been adversely affected by uncertainty about the Scheme outcome and potential for changes to distribution arrangements;

- Planned increased marketing expenses this year have been incurred, including a national television campaign and specific export initiatives, aimed to grow our sales and brand positioning in the longer term.

Capilano has implemented immediate measures to protect market share to mitigate these short-term reductions in revenue and improve long term sales outcomes. The net impact these factors will have on total financial year profitability is not yet clear, however short-term cost saving initiatives have been implemented. Profitability in the first half of this year is expected to be materially lower than last year's result. Capilano has secured the honey inventory for an expected return of normal honey category sales volumes with a significantly better profit performance anticipated in the second half of this financial year.

4. Additional Information

4.1 Scheme Meeting

As announced to ASX on 11 October 2018, the Scheme Meeting will be held on Thursday, 15 November 2018 at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Meeting in Annexure G to the Scheme Booklet.

4.2 Voting details

The Capilano Board reminds Capilano Shareholders that every vote is important and encourages you to vote.

If you have already voted and do not wish to change your vote, you do not need to take any action. If you have not yet voted, or have submitted a Proxy Form but wish to change your vote, then please contact Link Market Services on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia) for an additional Proxy Form, or otherwise vote as explained below.

You should read the Scheme Booklet (including this Supplementary Disclosure) before deciding how to vote.

Shareholders can vote either:

- In person, by attending the Scheme Meeting at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland; or
- By appointing a proxy or attorney or a corporate representative to attend the Scheme Meeting and vote on your behalf:
 - by completing and returning to the Capilano Share Registry the enclosed Proxy Forms for the Scheme Meeting, which must be received by the Capilano Share Registry at:

Mailing Address

Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
SYDNEY SOUTH NSW 1234

Hand Delivery

Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
SYDNEY NSW 2000

so that it is received by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018.

Alternatively, you can lodge your proxy online at www.linkmarketservices.com.au by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018;

- by providing the Capilano Share Registry the original (or certified copy) of the instrument appointing an attorney by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018 (unless a copy has already been provided to the Capilano Share Registry); or
- (in the case of a body corporate) by appointing a corporate representative to act as its representative. The appointment must comply with section 250D of the Corporations Act. A corporate Capilano Shareholder or corporate proxy should obtain a "Certificate of Appointment of Corporate Representative" form from the Capilano Share Registry, and complete and sign the form in accordance with the instructions on it. The corporate representative must attend the Scheme Meeting in person.

Full details on how to submit your vote are set out in the Scheme Booklet. In order to be valid, a Proxy Form must be received by the Capilano Share Registry by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018.

4.3 Scheme Implementation Agreement and other agreements

The Scheme Implementation Agreement, the Scheme of Arrangement, the Scheme Deed Poll and the Shareholders' Deed have been amended to reflect changes relating to the Increased Cash Consideration, the Increased Subscription Price, and the Withdrawal Rights.

5. Consents

Each of the parties named in this Section 5 as consenting parties:

- has given and has not, before the date of issue of this Supplementary Disclosure, withdrawn its written consent to be named in this Supplementary Disclosure in the form and context in which it is named;
- has not caused or authorised the issue of this Supplementary Disclosure; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Supplementary Disclosure.

Party	Consenting Party
Capilano Share Registry	Link Market Services Limited
Legal adviser	Herbert Smith Freehills

Independent Expert

BDO

Consortium

Wattle Hill and ROC

HoldCo

Bravo HoldCo Pty Limited

BidCo

Bravo BidCo Pty Limited

6. Glossary

Unless otherwise defined in this Supplementary Disclosure, capitalised terms have the meanings given to those terms in the Scheme Booklet (Section 14).

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Annexure A – Supplementary Independent Expert’s Letter

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The Shareholders
C/- The Directors
Capilano Honey Limited
399 Archerfield Rd
Richlands QLD 4077

2 November 2018

Dear Shareholders

SUPPLEMENTARY DISCLOSURE

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') was engaged to prepare an independent expert's report ('the IER') to the shareholders of Capilano Honey Limited ('Capilano') in relation to the proposed acquisition of all of the issued share capital in Capilano by Bravo BidCo Pty Ltd, an entity ultimately owned by Wattle Hill RHC Fund 1 and ROC Capital Pty Ltd, by way of scheme of arrangement ('the Proposed Transaction').

On 2 November 2018, Capilano released a supplementary disclosure ('Supplementary Disclosure') in relation to its Scheme Booklet dated 11 October 2018 relating to the Proposed Transaction. The Supplementary Disclosure included the following key changes to the terms of the Proposed Transaction:

- **Increased cash consideration:** the Cash Consideration (as defined in the IER) offered to the Capilano shareholders will increase from \$20.06 per share to \$21.00 per Capilano share; and
- **Increased subscription price:** the subscription price for the HoldCo Subscription Offer (as defined in the IER) will increase from \$20.06 per share to \$21.00 per HoldCo share.

For completeness, we note that there are no changes proposed to the Scrip Consideration (as defined in the IER) in accordance with the terms of the Supplementary Disclosure.

Additionally, the Supplementary Disclosure sets out a trading update for Capilano based on certain factors which have impacted the performance of Capilano for the first half of the financial year ('FY') ending 30 June 2019, including:

- Changes to domestic retail ranging in conjunction with adverse media publicity for the honey industry, which has unfavourably impacted Capilano's sales revenue;
- Heightened product pricing competition in the market segments in which Capilano operates;
- A deep dive price reduction campaign which was conducted in FY2018 but not undertaken in FY2019 has resulted in reduced revenue in the year to date compared to the prior year;
- Capilano's domestic and export industrial bulk sales have declined due to their largest domestic bulk industrial customer ceasing manufacture of its products locally and increased competition in international markets from cheaper origin honeys;

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- Capilano's export retail sales into China have been adversely affected by uncertainty about the Proposed Transaction outcome and the potential for changes to distribution arrangements; and
- Planned increases to Capilano's marketing expenses have been incurred, including a national television campaign and specific export initiatives, aimed to grow Capilano's sales and brand positioning in the longer term.

For the purpose of the assessment in the IER we had regard to Capilano's historical performance, its FY2019 budget, discussions with the management of Capilano in relation to its FY2019 year to date performance and Capilano's ASX announcements.

We were provided with a copy of the Supplementary Disclosure and have made reasonable enquiries of Capilano's management in relation to the changes to the terms of the Proposed Transaction and the trading update. We understand that steps are being taken by Capilano's management to mitigate the current factors impacting the short term financial performance of Capilano. We have been advised that these factors are not expected to impact the ongoing and underlying performance of Capilano longer term.

After considering the updated information, our conclusion remains that the Proposed Transaction is fair and reasonable, and in the best interests of Capilano shareholders.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker
Director