

SunRice update

December 2007 Number 68

A letter from our Chairman

Dear Member

With Christmas approaching I hope everyone has an opportunity to enjoy some respite from the drought with family and friends. Life on the land has never been tougher but the resilience of our farming families is very evident. It is very important that we continue to support each other during these tough times and particularly at Christmas.

While the change in the weather pattern since November has not yet resulted in big inflows to storage dams, it provides some hope that the situation could improve. The Bureau of Meteorology is saying a La Nina condition is definitely occurring and should persist through to late summer/autumn. Lets hope it continues longer than that and is followed by a return to more normal conditions.

Half Year Results

The company has completed its half year accounts which have been lodged with the NSX and can be accessed via the NSX website (www.nsx.com.au) or the Ricegrowers website (www.sunrice.com.au)

I am pleased to announce that as at 31 October 2007, the half year mark, the company's year to date performance is well ahead of last year despite the continued adverse drought conditions, with strong results in Global Trading and Complementary Businesses, namely Riviana, CopRice and Rice Foods.

Consolidated revenue of \$356 million was 1.8% higher than the corresponding half year period in 2006 due to strong activity in Riviana, Trukai and Solrice and other Complementary Businesses. Profit before tax for the period was 202% higher than the corresponding half year period in 2006 due to improved trading conditions in Subsidiaries and Complementary Businesses.

The downscaling announcement on 8 November resulted in approximately 180 redundancies across Ricegrowers, with an estimated cost of \$8.3 million.

These redundancy costs will be incurred in the period November 2007 to the end of April 2008 and therefore will be brought to account in the 2nd half of the current financial year.

The business remains on track to absorb this redundancy cost and deliver its budgeted profit and committed grower return of \$320 per tonne for medium grain, for rice delivered in respect of the 2007/2008 financial year.

Further, it remains the Board's objective, as outlined in the latest Capital Raising Prospectus, to pay a dividend on fully paid B Class Shares, in July 2008, of at least 21.5c per share.

Drought Related Downscaling

The temporary downscaling of our rice milling and paddy handling operations in the Riverina was a difficult decision as it impacted SunRice people who have demonstrated great skill and commitment to the company. Regrettably, the downscaling was the only responsible way forward considering the very small area of rice being grown in 2007/08. The 2008 harvest will be the smallest since 1928 at around 15,000 - 16,000 tonnes. When this volume is combined with rice we will carry over, there is only enough to operate our Leeton Mill on a reduced scale to mill and pack for the domestic market. Our major export market mills - Deniliquin and Coleambally - will be placed in a care and maintenance program.

We are doing all we can to assist the 180 or so people impacted by the downscaling. All redundant employees will receive their

(Continued on page 2)



The Rice Food Experts

full entitlements and severance payments. In addition we are providing a goodwill payment for the Christmas period public holidays; counselling services; financial advice and job placement and training services.

I stress that the downscaling is temporary. I have every confidence that Australian rice production will bounce back when the drought ends. We have deliberately maintained core skills and industry infrastructure to allow the business to rebound when rice production increases.

SunRice Markets Not Affected

Despite the drought and our temporary downscaling, we continue to have a strong business built on operating excellence and innovation. The broad range of branded rice food products we supply to domestic and international markets are in strong demand. We will continue to supply our markets through Australian paddy supplies supplemented by our extensive international trading program.

Our international trading program and our Complementary Businesses continue to perform strongly and underpin our dividend payments and overall business profits. The overall financial performance of the company will not materially change as a result of the continuing drought and the operational downscaling.

Capital Raising Program

I want to thank shareholders who were able to take up the offer of investing in additional B Class Shares through Rice Bond conversion/cash payment in the second phase of the SunRice Capital Raising program.

At the close of applications, 150 shareholders applied for an additional 5,533,431 B Class Shares with a value of \$11.8 million. A total of 991,221 of these Shares were paid for by the application of Rice Bonds while the balance of 4,542,210 shares were paid for in cash.

This outcome is a great demonstration of confidence in the SunRice business and recognises the value of our share dividend policy which is underpinned by the continuing success of our Complementary Businesses.

The number of shares applied for in cash is slightly more than the 15% limit permitted under the NSX listing rules and the NSX has granted a waiver of this listing rule to enable all of the shares applied for in cash to be issued.

You will recall that A Class Shareholders passed a resolution at the 2007 Annual General Meeting approving the issue of B Class Shares paid for by Rice Bonds or RMB Equity, so that the 15% limit

would not apply to the issue of Shares paid for by the application of Rice Bonds or RMB Equity.

However, no approval was sought at that time in relation to shares subscribed for in cash, on the basis that there was no expectation that the 15% limit would be exceeded.

It is therefore proposed that a General Meeting of A Class Shareholders will be held in early 2008 to seek approval to issue further shares for cash, under the Capital Raising Program in 2008.

We are in the process of finalising arrangements for the issue of the additional shares. They will be listed in the Riceworkers Limited Share Register on 20 December after which an Ownership Statement will be forwarded to the holders by Link Market Services.

There will be a further opportunity to procure additional B Class Shares through conversion of Rice Bonds/cash payment in the third phase of our Capital Raising program in 2008 and through the Dividend Reinvestment Program.

Rice Flour Manufacture

The SunRice Rice Flour Mill at Leeton is a very important and profitable component of our Complementary Business portfolio.

The drought means the Flour Mill will not have a raw material supply from early 2008. We examined all options to maintain the business and the only viable option was to seek approval to import high quality, colour sorted milled rice into the Rice Pest and Disease Exclusion Zone (RPDEZ).

We did not take this decision lightly as we are acutely aware of the importance of keeping our industry free of exotic pests and disease. Milled rice poses minimal risk to the introduction of rice pests and disease - a point verified by plant pathologists and entomologists. Nevertheless, we developed a detailed risk minimisation strategy which was considered and approved by the Rice Biosecurity Committee (a committee of RGA) before being considered by the NSW DPI.

After thorough evaluation, the proposal was approved as a temporary measure, subject to application of the protocols in our risk minimisation strategy. An outline of the risk minimisation strategy appears on the next page.

I wish you and your family a safe and peaceful Christmas and New Year.



Gerry Lawson
Chairman

Flour Milling Risk Minimisation Strategy

The risk minimisation strategy referred to in the Chairman's letter was developed by SunRice with input from plant pathologists and entomologists who specialise in rice pests and disease, the Rice Biosecurity Committee, agronomists, rice growers and the International Rice Research Institute. The strategy is built around Control Measures and Precautionary Actions to overcome all risks. The major components are:

1. Selecting suppliers of rice

- SunRice quality personnel audit potential supplier facilities to ensure they meet rigid quality certification standards and can comply with the requirements of the SunRice Quality Manual
- critical standards include zero paddy admixture, zero pest and disease presence, fumigation and double colour sorting

2. Sampling and testing of rice prior to dispatch

- Sampling is performed by the Overseas Merchandise Inspection Company (OMIC) or Bureau Veritas (BV) following fumigation
- Samples are submitted for rice pathogen testing by SGS Mid-West Seed Services, an ISO accredited laboratory in the USA. Detection of any specified rice pathogens leads to rejection of shipment
- A Phytosanitary Certificate is issued to confirm the cargo is insect free and meets Australian import conditions set by AQIS

3. Receival and storage at Australian port

- AQIS conduct an inspection to confirm the cargo is insect free and meets Australian import conditions
- If approved by AQIS, the rice is unloaded to temporary storage at port and subsequently moved to Leeton under a specific transport protocol that safeguards against spills and contamination

4. Storage in dedicated silos at Leeton Flour Mill

- dedicated food grade storage, that is not connected to any other rice storage or the rice mill, will hold the imported material before direct transfer to the Flour Mill
- insect activity will be monitored daily using pheromone traps



The SunRice Rice Flour Mill in Leeton produces a valuable range of products for domestic and export customers.

5. Flour Milling

- The imported material is colour sorted prior to milling to flour under SunRice's strict HACCP accredited processes and GMP protocols
- The Flour Mill will be flushed of all imported rice before using Australian rice
- Waste material from milling and flushing is collected, shrink wrapped and stored (maximum 2 weeks) in a segregated zone. It will be moved to Tongala Feed Mill outside the RPDEZ

6. Segregated finished product storage

- Pallets of finished product are capped, shrink wrapped and stored in a segregated zone in the warehouse before dispatch to customers
- Any waste material from the segregated zone is collected and treated as above

The Rice Biosecurity Committee and NSW DPI believe the biosecurity risk of approving entry of foreign, milled rice under the above protocols, is negligible. SunRice and RGA have indicated to NSW DPI that the approval is a temporary measure dictated by the drought. Both SunRice and RGA have stressed to NSW DPI the importance of the Rice Pest and Disease Exclusion Zone and the need for it to be maintained.

C2007 PAYMENT SCHEDULE (TRADITIONAL POOL)

(Guaranteed Minimum Price Exclusive of GST)

	Amaroo Reiziq Quest Jarrah	Illabong	Langi Doongara	Opus	Kyeema	Koshi	Organic/ Bio
1st Payment (paid)	192.00	186.00	210.00	204.00	235.00	257.00	70.00
2nd Payment (paid)	31.00	30.00	33.00	33.00	38.00	41.00	30.00
3rd Payment (19 Feb 2008)	15.00	14.00	17.00	17.00	19.00	21.00	30.00
4th Payment (22 Apr 2008)	12.00	11.00	14.00	13.00	15.00	17.00	20.00
Appraisal (ave) (22 Apr 2008)	8.00	8.00	8.00	8.00	8.00	8.00	
5th Payment (20 May 2008)	12.00	11.00	13.00	13.00	15.00	16.00	30.00
Final Payment (22 July 2008)	50.00	50.00	50.00	50.00	50.00	50.00	
TOTAL RETURN	\$320.00	\$310.00	\$345.00	\$338.00	\$380.00	\$410.00	\$180.00

RICEGROWERS LIMITED DIRECTORS

Gerry Lawson (Chairman)
Mark Robertson (Deputy Chairman)
Laurie Arthur
Noel Graham
Gillian Kirkup

Norm McAllister
Alan Walsh
Grant Latta - External Director
Russell Higgins - External Director
Gary Helou - Executive Director

CORPORATE MANAGEMENT

Chief Executive Officer : Gary Helou
Company Secretary : Mandy Del Gigante
Chief Financial Officer : Claude Cassar
Manufacturing : Brad Hingle
International & Domestic Consumer Markets : David Keldie

International Commodity & Trading : Milton Bazley
Grower Services : Mike Hedditch
Finance : Brad Hingle
People & Culture : Claude Cassar

MANUFACTURING FACILITIES

Leeton Rice Mill
Leeton Convenience Rice Plant
Deniliquin Rice Mill
Coleambally Rice Mill
CopRice Feed Mills
Trukai Industries Limited, PNG
Aqaba Processing Company, Jordan

Mike McLeod
Court Sayer-Roberts
Care and maintenance program from 21 December 2007
Care and maintenance program from 21 December 2007
Wayne Preston
Phil Franklin
Russell Heffernan

