

GFL.11249

6 May 2009



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Dear Shareholder

### SunRice Capital Raising Program - RMB Equity conversion proposal

As you know a Special General Meeting of SunRice will be held in Jerilderie on 14 May 2009. Before that meeting, I want to update you on the discussions that have been taking place between the Board of SunRice and the Rice Marketing Board (RMB) on the development of a proposal, by the Board of SunRice, to enable RMB Equity Holders to convert RMB Equity into B Class Shares.

While the conversion proposal is yet to be agreed, it is envisaged that it will give RMB Equity Holders the option to convert all of their RMB Equity into a combination of:-

- Cash; and
- Tradeable B Class Shares

It is anticipated that the **cash component will represent 10% of the RMB Equity** and, to the extent that this represents an early repayment of RMB Equity that matures in the period June 2010 to June 2016, the amount will be discounted to reflect SunRice's cost of capital. While this means that the actual payment may be less than the face value of 10% of the RMB Equity, it will allow RMB Equity Holders to receive a cash amount before the maturity date of their RMB Equity.

The **remaining 90% of the RMB Equity would be applied to pay for B Class Shares** at variable issue prices, depending on the maturity date of the RMB Equity that is converted. This means that RMB Equity with later maturity dates will be converted into B Class Shares at higher issue prices. This will compensate for the fact that the process will involve RMB Equity, which is repayable in the period June 2010 to June 2016, being exchanged for B Class Shares with an immediate entitlement to any dividends declared.

It is intended that SunRice will formally submit the RMB Equity conversion proposal as part of a broader capital raising offer to all shareholders, which will enable shareholders to also apply for B Class Shares using either cash or Rice Bonds.

This capital raising offer (including the RMB Equity conversion proposal) will be set out in a prospectus that will include an independent expert's report requested by the Rice Marketing Board, that will assess the fairness of the proposal from the perspective of both B Class Share holders and RMB Equity Holders. Any applications for B Class Shares will need to be made on the Application Form that will accompany the Prospectus.

Importantly, it is intended that all new B Class Shares will be eligible to participate in any dividend paid in respect of the year ending 30 April 2009. As in previous capital raisings Rice Bonds that are used to pay for shares will earn the relevant interest up to the date on which the shares are issued.

The changes proposed to the Company's constitution to be considered by A Class Shareholders at the Special General Meeting on 14 May, if passed would enable all RMB Equity Holders to be issued with B Class Shares and to participate in such a conversion proposal.

The SunRice Board recommends the proposed changes to the constitution, as this will allow SunRice to submit the conversion proposal to all holders of RMB Equity.

Please note the following arrangements for the Special General Meeting:-

**Venue:** Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie  
**Date:** Thursday 14 May 2009  
**Time:** 2.00pm

Yours sincerely

Gerry Lawson  
Chairman  
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