

17 May 2011

Dear Shareholder

You may have read some articles recently about a report prepared by DMR Corporate Pty Ltd (**DMR**), which was commissioned by Mr Julian Menegazzo, an A and B Class shareholder.

The report by DMR is being referred to in the media.

The Board of SunRice wishes to address matters raised in the report by DMR. That report provides an opinion on the value of SunRice and concludes that the offer by Ebro is not fair. Shareholders should note that DMR has not sought access to SunRice's accounting or other records and has not spoken with SunRice management or the Independent Expert, Lonergan Edwards.

The report prepared by DMR has a number of errors and is biased and misleading and is of concern to the Board. Specifically, the Board's primary concerns relate to the following:

- DMR accept Lonergan Edward's methodology that it is necessary to ensure that future multiples are applied to future earnings and historical multiples are applied to historical earnings. However DMR deviate from this methodology and apply a **historical** (2010) multiple to SunRice's **future** maintainable EBITDA. This inconsistent application results in a material overstatement of the value of SunRice. Specifically, the **future** maintainable EBITDA of \$70 million adopted by Lonergan Edwards exceeds SunRice's 2010 EBITDA of \$53.5 million. SunRice has advised that the 2011 EBITDA will be similar to 2010. Therefore at \$70 million the EBITDA used by Lonergan Edwards is clearly an estimate of future maintainable earnings.
- DMR suggest that SunRice's net debt of A\$298.2 million is as at 31 October 2010. The net debt adopted by Lonergan Edwards actually reflects the average net borrowings throughout the year.
- DMR do not provide a value of the SunRice A and B Class Shares which is important for shareholders.

The Board is also concerned about the unsubstantiated comment by DMR that "a shareholder could expect to receive an offer based on a [price earnings] multiple of ... 15.6 to 19.4". The Board is not aware of any factual basis for this statement. As at the date of this letter no proposal other than the Proposal from Ebro has been received.

SunRice was not given the opportunity to check that the DMR report was accurate and not misleading. By contrast SunRice had all information in the Scheme Booklet thoroughly checked before it was sent to shareholders.

Further, as required by Corporations Act, the Australian Securities & Investments Commission (**ASIC**) reviewed and commented on the Independent Expert's Report prepared by Lonergan Edwards as it formed part of the Scheme Booklet sent to shareholders in April 2011. The report prepared by DMR was not provided by DMR, or the person who commissioned it, to ASIC prior to it being made public. The report by DMR does not form part of the Scheme Booklet and it is not required to be examined by ASIC.

In light of its concerns, the Board of SunRice is considering what action it should take in respect of the report.

**In the meantime your Board urges you to consider the Proposal from Ebro based on the information contained in the Scheme Booklet and other verified information provided to you by SunRice. Shareholders should consider the errors and biased and misleading nature of the report by DMR outlined above when considering it and any press statements about it.**

**Your Board encourages active debate on the Proposal from Ebro, as evidenced by the recent shareholder meetings. However, the Board is concerned about the publishing and distribution of biased, misleading and erroneous information.**

If you require further information, please contact the SunRice Information Line on 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gerry Lawson', written in a cursive style.

Gerry Lawson  
Chairman