

19 May 2011

Dear Shareholder

RE: UPDATE TO SHAREHOLDERS

This letter follows the Ricegrowers Limited Scheme Booklet dated 19 April 2011 (**Scheme Booklet**).

This letter has been provided to the Australian Securities and Investment Commission (**ASIC**). ASIC does not take any responsibility for the contents of this document.

Capitalised terms used in this letter have the same meaning as in the Scheme Booklet.

ATO ruling received

The Australian Tax Office (**ATO**) published a final Class Ruling in respect of the income tax consequences of the Scheme including the proposed SunRice Dividend for the holders of B Shares in SunRice.

The final Class Ruling is consistent with the draft ruling previously provided to SunRice and the tax comments contained in Section 14 of the Scheme Booklet.

In particular, the Class Ruling confirms that, if the Scheme is implemented, the holders of B Shares who are eligible to claim a franking credit can offset their tax liability by \$0.603 per B Share. This is in addition to the \$5.025 cash they will receive per B Share (which is made up of the Scheme Consideration of \$3.618 and the SunRice Dividend of \$1.407 per B Share).

The final Class Ruling confirms:

1. The assessability of the SunRice Dividend proposed to be paid to the holders of B Class Shares if the Scheme is implemented;
2. The ability of the holders of B Class Shares to claim a franking tax offset in respect of the SunRice Dividend; and
3. That the SunRice Dividend will be included in the capital proceeds of the sale of B Class Shares under the Scheme.

The Class Ruling is available from the ATO's website at ato.gov.au.

As set out in the Scheme Booklet, it is proposed that if Shareholders approve the Scheme, SunRice will determine to pay the SunRice Dividend as a fully franked dividend payable in accordance with the Scheme Implementation Agreement.

Estimate of price payable under the pricing formula for the 2011 Crop

In the update sent to Shareholders on 9 May 2011, Shareholders were informed that the indicative price for the 2011 Pool is \$258 per tonne (medium grain). This is a minimum which has to be paid by Ebro for the 2011 Pool (medium grain) if the Scheme is implemented, but only an indicative price if the Scheme is not implemented.

At a number of the Shareholder meetings held throughout the Riverina on 10, 11 and 12 May 2011, the question was asked as to what the price per tonne for the 2011 Pool (medium grain) would be under the pricing mechanism in the Paddy Purchase and Pricing Rules for post 2011 rice crops (**Ebro Mechanism**), had it been applicable to the 2011 Pool (medium grain).

It is very difficult to forecast what the price per tonne for the 2011 Pool (medium grain) would be under the Ebro Mechanism, given that the answer depends on future Californian cash and pool medium grain prices, the future foreign exchange rate of the US\$ to the A\$ and a number of other market factors.

However using the discount range of US\$50 to US\$90 for tonnes above 400,000 tonnes and the following **estimates**:-

- Californian pool prices (to be declared in December 2011) of US\$12 cwt above the Loan Rate of US\$6.50;
- Average cash price (for the year May 2011 through to April 2012) of US\$10 cwt above the Loan Rate of US\$6.50;
- Average A\$:US\$ foreign exchange rate of 1.05; and
- Australian medium grain crop of 730,000 tonnes

Then, the Ebro Mechanism for the 2011 Pool (medium grain) would result in an average price per tonne for the 2011 Pool (medium grain) of between A\$300 to A\$320 per tonne.

Shareholders will see from the Scheme Booklet that there has been a high correlation between the paddy price calculated by applying the Ebro mechanism against the actual prices paid by SunRice from 2005 to 2009. However, Shareholders should be aware that this is not a prediction of the future and Shareholders should consider the warnings in the "Important notices" section in the inside cover of the Scheme Booklet.

The current estimates of SunRice underlying the above calculation are estimates only and may vary materially from the actual pool and cash prices, foreign exchange rates and crop size at the relevant time.

Yours sincerely



Gerry Lawson
Chairman