

A letter from our Chairman

It is pleasing to see the positive feeling in our communities at the moment as we approach the planting period for the 2011/12 rice crop. The harvest of an 800,000 tonne crop in 2010/11 and the prospect of another good crop in the season ahead has ignited excitement across our supply chain from rice growers, through our operations and marketing teams and importantly, amongst our customers here in Australia and around the world. The return of high quality, great tasting SunRice Australian rice has been warmly welcomed.

There are of course challenges to be dealt with along the way. We anxiously wait for water allocation to improve despite our dams in the Murrumbidgee and Murray Valleys holding high levels of resource. At the market level, the high Australian dollar continues to create price pressure and at the national level there is no doubt that the impending carbon tax will increase both our farm and business costs.

Capital Raising Program

Three elements of our capital raising program were implemented over the last four months and together. have led to a \$6.4 million improvement in the permanent capital base of SunRice.

1. Profit Retention

The strong performance of subsidiary businesses in the year ending 30 April 2011 combined with a lower dividend allowed profit retention of \$2.8 million.

2. Dividend Reinvestment Program (DRP)

The 2010/11 DRP raised \$2.67 million of additional capital. 27% of B Class Shares on issue at the record date (15 July 2011) participated in the DRP the same participation level as the previous year.

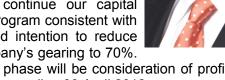
3. Capital Raising Prospectus

The Prospectus dated 6 July 2011 raised \$0.892 million of additional capital. This amount included \$0.250 million cash and \$0.642 million from redirected 2011 RMB Equity rollover payment from a possible \$11.7 million. While the take-up was low, it was not unexpected.

The Board appreciates the contribution made shareholders who supported the DRP and the offer contained in the Prospectus at time when many are recapitalising their farm businesses after prolonged drought.

We will continue our capital raising program consistent with our stated intention to reduce the company's gearing to 70%.

The next phase will be consideration of profit retention for the year ending 30 April 2012.





Rebuilding market share to pre-drought levels is critically important in view of the potential for the 2011/12 crop to significantly exceed our 800,000 tonnes planning base. This is a major challenge in most markets where cheaper rice, including long grain from Vietnam and Thailand, made big inroads during the drought to what were traditionally medium grain markets. In the market rebuilding phase it is impossible to immediately command premium prices - this will take some time to achieve.

However, good progress is being made. We have achieved several cargos into Japan much earlier than normal and our important Pacific markets are returning to medium grain. A vigorous marketing campaign highlighting the return of Australian medium grain rice to the Middle East is resulting in rapid growth in market share. I cannot stress enough the importance of Reizig for these premium markets and we are targeting at least 600,000 tonnes in the 2011/12 crop (more information below).

The Australian domestic market is seeing strong growth in market share for "Ready to SunRice Meals". The Australian Food



The Rice Food Experts

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Service category represents a significant growth opportunity for SunRice fragrant rice. Fragrant imports have increased markedly and we are targeting a significant increase in Kyeema production in 2011/12.

Paddy Price Outlook

Market price uncertainty combined with a high and volatile Australian dollar make it very difficult to forecast the final price of our 2010/11 crop and to provide a price outlook for the 2011/12 crop to be planted soon.

As you know, the \$258/t (medium grain) minimum price commitment for the 2010/11 crop made by Ebro was not guaranteed by SunRice. The price ultimately paid by SunRice will be different depending on market conditions, as well as our capital needs, financial position and retentions from paddy prices.

We are now four months into the marketing year and are likely to face even more challenging conditions through to the end of the crop year with a large medium grain harvest soon to commence in California.

This, combined with the impact of the strong Australian dollar, means we are currently tracking to a lower 2010/11 paddy return than \$258/t (medium grain).

In relation to the 2011/12 crop, all the above factors have to be considered as well as the size of the crop that is yet to be planted. The relationship between total tonnes produced and average paddy return has not changed, in fact a larger crop at the time we are rebuilding market share will create further downward price pressure.

At this early stage I suggest growers do their budgets cautiously and at prices below that indicated for the 2010/11 crop.

As always, we will do everything possible to maximise the paddy return consistent with our goal to improve the company's balance sheet.

Reizig Production in 2011/12

SunRice is a market driven company and we must continually adapt to the changing needs of our customers.

Reiziq has rapidly become the medium grain variety demanded by many of our customers - in fact the specifications set by premium markets, including Japan and the Middle East, can now only be met by the bolder grain size of Reiziq. We are therefore taking a number of important steps in the next crop to align production to this market requirement.

Firstly, we are retiring the "old faithful" varieties Amaroo and Jarrah. These varieties no longer meet customers' needs as well as our newer varieties.

Secondly, we are providing a price signal about the importance of Reizig - it will be our standard medium grain variety and the varieties Sherpa and Quest will be priced at a \$15/t discount to Reizig. We hope the price

differential will encourage production of at least 600,000 tonnes Reizig across the Murrumbidgee and Murray Valleys. Reizig production in the Murray Valley is particularly important as most of the milling for our premium medium grain markets takes place in Deniliquin.

We will be putting in place new testing arrangements at receival depots and in the Quality Appraisal Centre that will verify varietal identity. These arrangements will include DNA testing if necessary. SunRice reserves the right to impose quality discounts on deliveries claimed to be Reizig that testing shows to be a different variety.

Rice Blast - Be Aware and Vigilant

You would be aware that the fungal disease Rice Blast has been detected in the three commercial rice crops growing in the Ord Irrigation Area of northern Western Australia.

Rice Blast is the most serious disease of rice in the world and is more prevalent in high humidity tropical climates. Disease surveys have shown that it is endemic in most of the tropical zone of northern Australia. Despite this setback in the Ord, SunRice will continue to support the development of a rice industry in the region.

Thankfully, Rice Blast is not favoured by the low humidity, high temperature summers we have in the Riverina and the disease is not present in the NSW Rice Pest and Disease Exclusion Zone.

However, it presents a risk to our industry and we will be taking whatever actions are necessary to keep it out of the Riverina. We are receiving good support from NSW DPI to ramp up biosecurity awareness and to put protocols in place to minimise the risk of disease entry. You will hear more about these protocols shortly.

All rice growers need to be aware of the symptoms of Rice Blast and keep careful watch on their crops. Please read the enclosed Rice Blast Fact Sheet from Plant Health Australia.

While we don't expect to see the disease in the Riverina, please be vigilant and report anything suspicious immediately to the Exotic Plant Pest Hotline - 1800 084 881. If you need help with something that might be suspicious, please contact your local NSW DPI District Agronomist or SunRice Grower Services on 1800 654 557.

Gerry Lawson AM Chairman

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