



The Rice Food Experts

SHAREHOLDER UPDATE

30 August 2012

Dear Shareholder,

As you know, in June SunRice announced a comprehensive review of its structure, including share structure, Board structure and paddy procurement arrangements, to specifically consider the relevance and appropriateness of the existing systems and how SunRice can best deliver on the expectations of growers and shareholders in the current commercial environment.

The Board is aware of a research report on SunRice that has been recently published by Bell Potter. The report discusses several points on the structure of the company and comments on some but not all of the issues that are under consideration as part of the review.

The Bell Potter report has not been commissioned or endorsed by SunRice. While we do agree with some elements of the report, there are other elements with which we strongly disagree. For example, the comparisons made with Californian paddy pricing. In addition, we strongly believe that a single export desk is to the advantage of the business and the growers and should not be abolished as the report suggests.

SunRice's review, which pre-dates the Bell Potter research, has been underway since June and is set to gather momentum over the coming months. As communicated at the Annual General Meeting, the next chapter for SunRice will be about creating the right structures and developing a comprehensive strategy to build a more robust and financially resilient business. A business that has sufficient flexibility to capitalise on growth opportunities and the ability to deliver sustainable value and returns for growers and shareholders in an evolving – and often challenging – commercial environment.

As you are well aware, change has been a constant in our industry and our ability to respond to it – and seek it out when needed – is what has enabled us to survive. To appreciate how important it is that we continue to change in response to new demands, requirements and opportunities, we need only contrast the 2008 crop year, when production dropped to 19,000 tonnes and we were forced to close two of our mills; with the 2011 crop year, in which we reopened Deniliquin Mill, hired 200 more people, marketed an 800,000 tonne crop and reclaimed world markets. The review is another step in this process.

SunRice is actively analysing the key issues referred to above, including the share structure, Board structure and paddy procurement arrangements. We will consult widely to provide opportunities for stakeholders to contribute and give feedback before determining a preferred outcome and putting that to a shareholder vote, if required. We urge you to be involved.

The Board is focused on achieving the best outcome for growers and shareholders and that will take time. It is our intention to ensure there is a proper debate and I think it is important to let the process take its course.

Yours sincerely,

GERRY LAWSON AM
Chairman