

10 December 2012

Dear Shareholder / Grower,

Feedback from Capital Structure Review Consultation Meetings

Last month SunRice completed the first round of consultation meetings with shareholders and growers as part of the Capital Structure Review program. These meetings provided an opportunity for the Board to update attendees on the review's progress and present the key issues identified to date. However, most importantly they provided us with an opportunity to seek your input and to listen. The meetings were both productive and successful and we received a substantial amount of constructive feedback.

As many of you will be aware, a broad spectrum of issues were raised at the meetings by A and B Class shareholders, as well as from other stakeholders, including growers who hold neither A nor B Class shares.

At the meetings, the Board representatives focused on four key topic areas and the related issues that they consider are facing the company at present. At every meeting it was broadly agreed that the list of issues identified by the Board was correct and there was general acknowledgement of the need for change. There was virtually unanimous support for growing the business and ensuring that SunRice moves forward. Investment was seen as essential for growth in order to provide a long term future for the company, including for the business divisions other than Australian Rice Milling and Marketing. There was also recognition that a strong SunRice was necessary to underpin paddy prices and support a sustainable rice industry.

We acknowledge that these meetings are just the start of the consultation process and that not all of you have yet had the opportunity to participate. We are actively seeking shareholder and grower participation and if you were not able to attend this round of meetings, we encourage you to attend the next round in 2013.

Following is a summary of the discussions that occurred at the meetings and the feedback received.

Share Structure and Register Feedback

Feedback across all six meetings on the topic of the Share Structure and Register confirmed that the majority of issues and interests for A and B Class shareholders presented by the Board were relevant and warranted further consideration.

As part of the presentation, we stated that all options would be considered, including an ASX listing. Concern was expressed about the ASX option, particularly if it impacted on grower control. For A Class shareholders, there was strong support for maintaining grower control and general consensus that any revised model must preserve this.

A Class shareholders at multiple meetings also expressed the desire to maximise paddy price and to preserve vesting and SunRice's buyer of last resort obligation. The current grower dominated composition of the Board was raised. Shareholders were also interested in understanding what would be required to recapitalise the business and whether this would be possible to achieve via the existing shareholder base. These issues are examined further in subsequent sections.

Current structural issues not anticipated at the time of conversion to a company were also acknowledged. There was general consensus that the current one-tonne eligibility criteria for

gaining an A Class Share was too low and that the SunRice Constitution allows for measures to be put in place to potentially gain advantage or influence. Revised threshold limits ranging from 50 to 500 tonnes were proposed by shareholders, with several shareholders proposing 200 tonnes. However it was recognised that irrespective of the proposed limits, there would still be the potential for people to continue to attempt to gain advantage.

Questions were raised at most meetings around the current Share Register freeze and how this impacted genuine growers who were attempting to re-establish their A Class Shares, as well as first time growers who wished to invest in the business by way of B Class Share ownership.

Further comments were made with respect to B Class shareholder issues and interests – notably that B Class shareholders are seeking liquidity and capital growth. In addition, it was acknowledged that a fair dividend should be paid on B Class Shares. The lack of voting rights for B Class shareholders who do not hold an A Class Share was also raised, along with the importance of dividends as an income stream for retired growers and other B Class shareholders who do not have an active interest in rice growing and therefore do not benefit from paddy pricing.

The reluctance of some banks to recognise SunRice B Shares as equity – and shareholders' related inability to borrow against this investment – was raised as an emerging and significant issue for B Class shareholders. The issue of liquidity was considered particularly important given that 31% of B Class Shares are currently held by non growers; the majority of whom are retirees using their SunRice shares as part of their superannuation portfolio. There was some concern that in their current structure, the B Shares may not be providing optimal financial outcomes for superannuation funds. The appropriateness of the shareholder cap at 5% and the inability of SunRice employee B Class shareholders to trade shares in the same way as other B Class shareholders were also raised.

An issue on which there was near unanimous agreement was estate planning. Both A and B Class shareholders agreed that there was a need to address the current inability of B Class shareholders to pass their shares on to descendants who do not have a direct involvement in family farming businesses or hold an A Class Share.

With respect to the Share Structure, there was broad understanding that the shareholder base had changed significantly since SunRice's conversion to a company. While the potential misalignment in interests between the two ends of the shareholding spectrum was discussed, the overlapping interest of the "middle ground" (i.e. commercial rice growers with a matching equity investment) was also acknowledged. There was discussion at many meetings on how to align shareholder interests – with a particular focus on linking shares with rice production – but there was no clear consensus beyond the need to preserve grower control. Some of the options and ideas raised by shareholders are detailed in the Funding section.

Paddy Charter Feedback

Mixed feedback was received on the proposed Paddy Charter – with some shareholders questioning the need for it and others welcoming the initiative. Much of the discussion centred on the fact that the proposed Charter items were already established processes, and documenting them would provide greater transparency for both A and B Class shareholders. There was also discussion about the potential for making the Charter a legally enforceable document, with questions raised about who would enforce it.

Generally, shareholders welcomed the Board's review of the paddy payment timetable and pricing estimates as part of the Review process, in light of the earlier payment made with respect to the 2012 Crop in late October. A number of questions were raised about the resources required to

develop and audit the Charter, as well as ensuring that any mechanisms documented didn't reveal commercially sensitive information to competitors regarding SunRice pricing.

There was general agreement that any Paddy Charter would need to be flexible enough to respond to future scenarios that could adversely impact the Australian Rice Milling and Marketing business, such as drought, and also take into account force majeure events, such as the loss of vesting. There was discussion in some meetings that the Charter could also be used as a tool to further demonstrate the grower benefits derived from vesting and the single desk arrangements.

Security around the process for paddy pricing was also recognised by some grower shareholders as a means to providing greater flexibility for the business in future. The paddy charter was also thought to be important in order to provide security to growers in the event of another takeover bid for the company.

Finally, there was a request to include in the Charter minimum service and quality standards from SunRice with respect to infrastructure such as storage facilities.

Board Structure Feedback

On the topic of the Board Structure there was strong support across the meetings for changes to the Board to obtain a broader skills base, provided a majority of Grower Directors remain in place. This included general acceptance that additional external representation should be pursued.

With respect to the large size of the Board, shareholders did not share the same concerns as SunRice. Again feedback was focused on ensuring the best possible skills were recruited with respect to both Grower and External Directors – the focus being on quality rather than quantity. There was also some discussion about how to identify and nurture future industry leaders and potential Directors.

Funding Feedback

While there was strong support for SunRice's continued growth in order to benefit all shareholders, there were varying opinions at the meetings on how to appropriately fund this growth. This component of the presentation attracted significant feedback, which reflected some of the divergent interests noted earlier and the interrelated nature of the structural and funding issues facing the company.

The issue of funding the business via retentions from paddy pricing was raised at a number of the meetings, including some negative feedback regarding the 2011 Crop retention. We explained that SunRice's non Australian Rice businesses had supported the Rice Milling and Marketing business (paddy price) by \$140 million over the drought-affected years, while the 2011 Crop retention represented \$16 million. The reduced dividend paid to B Class shareholders over the past two years was also raised in response. There was also acknowledgement from A Class shareholders that it is potentially more tax effective to raise capital via the issue of equity than through retentions.

Shareholders at every meeting expressed their desire to be given the opportunity to participate in any capital raisings for the business before considering other forms of investment. However, most A Class shareholders also acknowledged that they will need to make substantial capital investments on farm in the near future, which would be their priority. It was also expressed that it was difficult for shareholders to know what would be required of them – and whether this was feasible – without understanding the capital needs of the company. Several attendees requested detailed information and guidance on the topic of funding be provided in future meetings to enable them to make an informed decision about the future of the business. There is significant work underway in the business to determine SunRice's growth strategy and capital requirements.

Concerns were raised by some A Class shareholders who had contributed significant funds to SunRice, that other growers had little or no equity investment in the company yet still enjoyed the benefits of premium market access and storage and milling infrastructure. Various options requiring a “minimum investment” in the company were raised by attendees as a means of addressing this issue and bolstering investment, as well as the potential for reduced service charges or loyalty schemes that incentivise those shareholders with funds already invested in the company. However, it was recognised that such schemes may not be consistent with SunRice’s requirements under the sole and exclusive export licence (vesting).

Shareholders at the meetings put forward a range of options and suggestions to improve the company’s ability to access capital. The Board undertook to come back with some specific examples and models of businesses that have restructured to facilitate growth, but the rights of existing shareholders have been protected.

Restructuring the SunRice Group to separate the respective businesses that underpin the paddy price and dividend was also suggested, however many shareholders recognised that this might limit the ability to access support for the Australian Rice Milling and Marketing business should drought return. Ensuring this flexibility remained in place was seen as a key issue, particularly for A Class shareholders.

Next Steps

We plan to hold further meetings in 2013 and strongly encourage you to attend so we can seek your input as we present the next steps in the Capital Structure Review process.

We would like to remind you that you have access to the Capital Structure Review website (<http://capitalstructurereview.sunrice.com.au>), which includes useful information and updates on the review process, along with the ability to ask questions or provide feedback via the online feedback form. You can also ask questions and provide feedback via the dedicated hotline on 1800 643 977.

As I communicated at the consultation meetings, we encourage you to pose questions, challenge assumptions, offer different perspectives and share your ideas or issues. All of the feedback we receive will help inform and shape the structures and options being considered as part of the Capital Structure Review and that will be presented to you for consideration in due course.

Thank you again for your participation. We will be in touch again as the review progresses, including with more detail around the next set of meetings.

Yours sincerely,



GERRY LAWSON AM
Chairman