



## **NSX Announcement**

30 January 2017

### **Shareholder and Grower 'Shed' Meetings: 30 January – 2 February**

SunRice Chairman, Laurie Arthur, and CEO, Rob Gordon, and will be conducting a series of 'shed' meetings with shareholders and growers across the Riverina between Monday 30 January and Thursday 2 February.

Issues to be discussed with shareholders and growers during the meetings include:

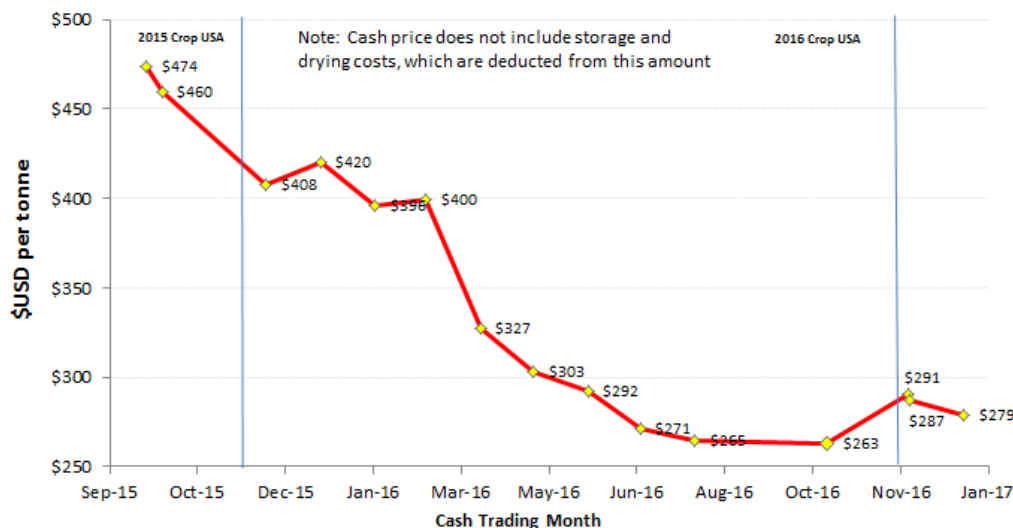
- Broader market and company performance (following the HY17 Financial Results);
- Issues impacting the proposed Capital Restructure;
- Feedback on A Class classification criteria;
- SunRice Board composition;
- Possible recommencement of a 'Dividend Reinvestment Plan' and 'Employee Share Plan';
- Possible introduction of a 'Grower Share Purchase Plan'; and
- Paddy Pricing Policy.

While no presentations are to be given during these meetings and the intention is to keep the interaction informal and conversational, slides are attached that provide an overview of the content likely to be raised when discussing: broader market and company performance (also refer to the HY17 Financial Results); and issues impacting the proposed Capital Restructure.

# World Market – Oversupply Undermining Prices

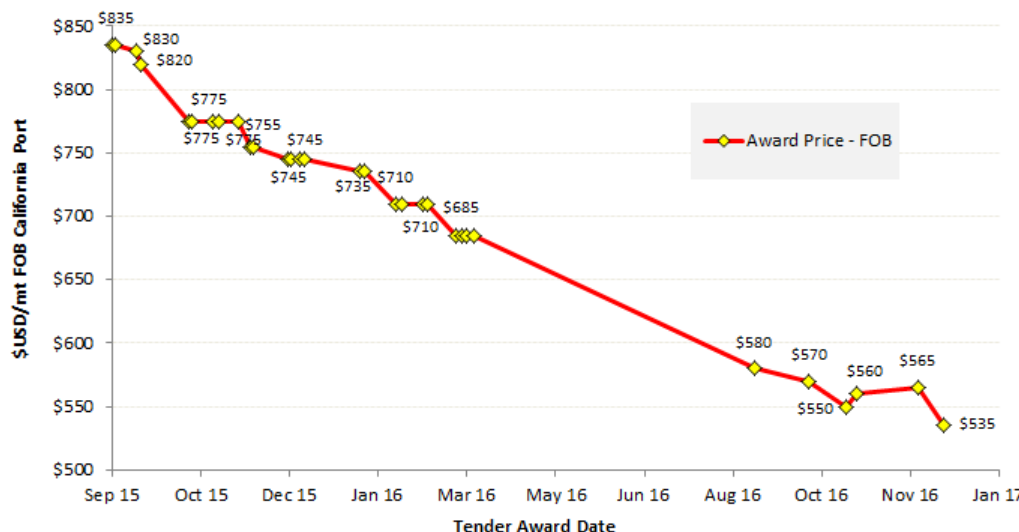
California 28-Month Cash Paddy Prices

Source: SunRice



Japan Minimum Access Pricing

Source: SunRice



- 2016/17 global paddy production is forecast to be a record high of ~480 million tonnes.\*
- Global stockpiles are at the highest levels since 2001/02, with US stockpiles at highest levels since 1986/87.\*
- International rice trade volumes anticipated to increase by ~3%, but will remain below 2014 record levels, with lower imports from traditionally strong Asian markets.\*
- International prices likely to remain under pressure – oversupply due to record production and large stockpiles, as import demand from larger markets remains weak.

\* Source: USDA Rice Outlook: January 2017



# PNG Issues – Economic and Political Landscape

- Although PNG's macroeconomic outlook remains relatively weak, generally accepted that GDP for 2017 will improve to around 3% (from 2% in 2016)
- To counter ongoing competitive pressure from low price-point Long Grain products, Trukai price reductions successfully stabilised market position during December 2016
- Kina exchange rate has stabilised since November 2016 at PGK/USD ~\$0.315, although this level represents a devaluation of ~20% since 2015
  - Sudden Kina devaluation would still considerably reduce trading margins and the value of the intercompany receivable from Trukai
- PNG Kina liquidity has improved, which has eased working capital requirements
  - Trukai intercompany receivable has declined by 30% since October 2016
- PNG Government remains committed to pursuing the National Rice Policy, including potential quota and tariff system, first raised in 2011
- Trukai has submitted a Heads of Agreement (HoA) to the PNG Government to collaborate in the development of large-scale rice farming (response pending)
  - If HoA pursued, feasibility studies could commence almost immediately
  - *Summary Concept Paper* outlining how Trukai could assist in the development of large-scale rice farming in PNG was submitted to the PNG Government in October 2016 (response pending)



# Capital Restructure – Board Remains Committed

- Despite issues regarding timing, the Board remains committed to the proposed Capital Restructure and considers that it is in SunRice's long term best interest.
- Not prudent to proceed with the Capital Restructure while there is uncertainty regarding
  - Potential implementation of restrictive import quotas by the PNG Government; and
  - Issues related to one of SunRice's subsidiary joint venture partners.
- SunRice is appropriately capitalised at this point in time and is not raising equity capital (not issuing further B Securities) as part of the proposed Capital Restructure.
- In the future, improved access to equity capital on the ASX will enable SunRice to: build a global business of scale; reduce business risk; and increase resilience.
- In the context of the proposed Capital Restructure and events in 2016, we need to highlight differences between SunRice and other listed agriculture companies, which have different corporate structures and models:
  - SunRice is not a co-operative: corporatised and listed shares on the NSX in 2007
  - Track record of accommodating both A and B Class shareholder interests: have delivered consistent dividend yields for B Class Shareholders and maximised the price of rice for our A Class Grower Shareholders
  - Model is based on protecting the existing interests of both grower and investor shareholders, in line with our current operating structure.

