



# SUNRICE ASX PROPOSAL

## (RICEGROWERS LIMITED)



### EXPLANATORY BOOKLET TO ACCOMPANY THE 2018 NOTICE OF AGM AND B CLASS MEETING

**THIS IS AN IMPORTANT DOCUMENT ABOUT THE FUTURE OF SUNRICE  
AND REQUIRES YOUR IMMEDIATE ATTENTION.**

The Board of SunRice unanimously recommends that all Shareholders support the ASX Proposal detailed in this booklet. The Independent Expert has concluded that the ASX Proposal is in the best interests of the A Class Shareholders and, separately, also in the best interests of the B Class Shareholders. If you are in any doubt about how to deal with this document, please contact your financial or other professional advisers and/or SunRice immediately.

July 2018 / Shareholder Information Line: 1800 020 806 / [www.sunrice.com.au/asx](http://www.sunrice.com.au/asx)  
Ricegrowers Limited (trading as SunRice): ABN 55 007 481 156

# IMPORTANT NOTICES

## Purpose of Explanatory Booklet

This Explanatory Booklet is dated 27 July 2018 and includes an Independent Expert's Report by Grant Samuel, which is attached as Annexure A. The purpose of this Explanatory Booklet is to provide Shareholders with information on the proposal to migrate the listing of B Class Shares from the National Stock Exchange of Australia (NSX) to the Australian Securities Exchange (ASX), including changes to the Constitution to enable B Class Shares to be acquired by investors generally (ASX Proposal). The implementation of the ASX Proposal requires:

- A Class Shareholders to pass special resolutions at the Annual General Meeting to approve changes to the Constitution (**New Constitution Resolution**) and variations to the rights of B Class Shares (**B Rights Variation Resolution**); and
- B Class Shareholders to pass special resolutions at the B Class Meeting to approve the de-listing of the B Class Shares from NSX (**De-listing Resolution**) and variations to the rights of B Class Shares (**B Rights Variation Resolution**).

Each of these resolutions, which are collectively referred to as the **ASX Resolutions**, are interdependent with each other. Accordingly, each of the ASX Resolutions must be passed in order for the ASX Proposal to be implemented.

## You should read the Explanatory Booklet in its entirety

This Explanatory Booklet contains important information. Shareholders are encouraged to read this Explanatory Booklet in its entirety before making a decision on whether or not to vote in favour of the ASX Proposal.

## Responsibility for information

The information contained in this Explanatory Booklet, other than in the Independent Expert's Report, has been prepared by SunRice and the Board and is the responsibility of SunRice. The Independent Expert's Report contained in Annexure A of this Explanatory Booklet has been prepared by, and is the sole responsibility of, Grant Samuel & Associates Pty Limited (**Independent Expert**). The Independent Expert is not responsible for any other information contained in this Explanatory Booklet. SunRice does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report, other than the

factual information provided by SunRice to the Independent Expert for the purposes of the Independent Expert's Report.

## Future matters and intentions

This Explanatory Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These statements may sometimes be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential" or similar words or phrases. Similarly, statements that describe SunRice's objectives, plans, goals or expectations are or may be forward-looking statements. All forward-looking statements in this Explanatory Booklet (other than the Independent Expert's Report) reflect the current expectations of SunRice concerning future results and events. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results, performance or achievements expressed or implied by those statements. Any forward-looking statements reflect views held as at the date of this Explanatory Booklet. SunRice believes that the views reflected in any forward-looking statements are reasonable.

Please note however, that neither SunRice nor its directors or officers, or any other person gives any representation, assurance or guarantee that the events or achievement of results expressed or implied in any forward-looking statements in this Explanatory Booklet will actually occur. You are cautioned not to place undue reliance on such forward-looking statements and all subsequent written or oral forward-looking statements attributable to SunRice are qualified by this cautionary statement. Subject to any continuing obligations under law or the ASX Listing Rules or NSX Listing Rules, SunRice gives no undertaking to update or revise any forward-looking statements after the date of this Explanatory Booklet to reflect any changes in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## This Explanatory Booklet does not constitute investment advice

The information provided in this Explanatory Booklet is not

financial product advice and is general information only and does not take into account the investment objectives, financial situation or particular needs of any Shareholder or any other person.

This Explanatory Booklet should not be relied upon as the sole basis for any decision in relation to A Class Shares, B Class Shares, or any other securities. If you are in any doubt, consult your investment adviser or other professional adviser before deciding how to vote on the ASX Proposal.

This Explanatory Booklet does not constitute investment advice. You should seek your own financial advice.

## Financial information

Financial information in this Explanatory Booklet has been prepared in accordance with the Australian equivalent of International Financial Reporting Standards (**AIFRS**) and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. AIFRS may be different from those applicable in other jurisdictions.

## Privacy

SunRice may collect personal information in the process of implementing the ASX Proposal. This information may include the names, contact details and security holdings of Shareholders and the names of persons appointed to act as proxy, attorney or corporate representative at the Meetings. The primary purpose of collecting this information is to assist SunRice in the conduct of the Meetings and to enable the ASX Proposal to be implemented by SunRice in the manner described in this Explanatory Booklet. The collection of this personal information is required or authorised by the Corporations Act. Personal information may be disclosed to the Share Registry, to print and mail service providers, to authorised securities brokers and related bodies corporate of SunRice. Shareholders have the right to access personal information that has been collected about them. They should contact the Share Registry in the first instance, if they wish to exercise this right. Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

## Notices of Meetings

The Notice of Annual General Meeting and the Notice of B Class Meeting are enclosed with this Explanatory Booklet.

## Website

The content of SunRice's website does not form part of this Explanatory Booklet and Shareholders should not rely on its content.

## SunRice Information Line

If you have any questions about your Shares or any matter in this Explanatory Booklet, please call the SunRice Information Line on 1800 020 806 (toll free in Australia) or +61 3 9415 4260 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.

## Glossary and defined terms

A number of terms used in this Explanatory Booklet have special meanings. These are listed in the Glossary in Section 9 of this Explanatory Booklet. Each of the documents reproduced in some of the annexures to this Explanatory Booklet has its own defined terms, which are sometimes different from those in the Glossary.

## Figures and financial amounts

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Booklet are subject to the effect of rounding.

The financial amounts in this Explanatory Booklet are expressed in Australian currency unless otherwise stated. A reference to \$, A\$ and AUD and cents is to Australian currency, unless otherwise stated.

## Time and dates

All times referred to in this Explanatory Booklet are references to the Local Time, unless otherwise stated. All dates following the Meetings are indicative only and are subject to any necessary ASX or NSX waivers or confirmations and the satisfaction of, or where applicable, waiver of the relevant conditions to the implementation of the ASX Proposal.

# — CONTENTS —

<b>LETTER FROM THE CHAIRMAN OF SUNRICE</b>	<b>2</b>
<b>PROPOSED TIMETABLE AND IMPORTANT VOTING INFORMATION FOR SHAREHOLDERS</b>	<b>4</b>
<b>1. SUNRICE DIRECTORS' RECOMMENDATIONS AND INTENTIONS</b>	<b>5</b>
<b>2. OVERVIEW OF THE ASX PROPOSAL</b>	<b>7</b>
<b>3. WHY IS THE ASX PROPOSAL REQUIRED?</b>	<b>13</b>
3.1 SunRice's 2022 Growth Strategy	14
3.2 Strategic initiatives and investment	15
3.3 How does the Growth Strategy impact Paddy Prices and Shareholder value?	18
3.4 How does the Growth Strategy reduce business risk?	20
3.5 How does the ASX Proposal support SunRice's Growth Strategy?	20
3.6 What happens if the ASX Proposal is not implemented?	23
<b>4. KEY ELEMENTS OF THE ASX PROPOSAL</b>	<b>24</b>
4.1 SunRice's existing structure	25
4.2 Things that will change under the ASX Proposal	26
4.3 Other key implications for A Class Shareholders	27
4.4 Other key implications for B Class Shareholders	28
4.5 Changes to the SunRice Constitution	28
4.6 Deemed Variation Matters	31
4.7 Changes related to ASX Listing Rules	34
4.8 Future change of control transactions	36
<b>5. ADVANTAGES AND DISADVANTAGES OF THE ASX PROPOSAL</b>	<b>37</b>
5.1 Advantages for A Class Shareholders	38
5.2 Disadvantages for A Class Shareholders	39
5.3 Advantages for B Class Shareholders	40
5.4 Disadvantages for B Class Shareholders	41
<b>6. FUTURE CAPITAL RAISING AND INVESTMENT PLANS</b>	<b>42</b>
6.1 Future capital raisings following the ASX Listing	43
6.2 Other investment plans	43
6.3 Process for raising capital	43
6.4 SunRice's dual class share structure	43
<b>7. INDEPENDENT EXPERT'S CONCLUSION</b>	<b>44</b>
<b>8. VOTING AND IMPLEMENTATION INFORMATION</b>	<b>46</b>
8.1 How will the ASX Proposal be implemented?	47
8.2 Approvals being sought	48
8.3 ASX waivers	48
8.4 Voting information	50
8.5 Next steps	51
<b>9. GLOSSARY</b>	<b>52</b>
<b>ANNEXURE A — INDEPENDENT EXPERT'S REPORT</b>	<b>55</b>
<b>ANNEXURE B — PROPOSED AMENDMENTS TO THE SUNRICE CONSTITUTION</b>	<b>105</b>



# LETTER FROM THE CHAIRMAN OF SUNRICE



**IT IS A CHANGE DESIGNED TO UTILISE OUR STRENGTHS, FURTHER DEVELOP OUR RESILIENCE AND CAPTURE CURRENT GLOBAL OPPORTUNITIES – AND AS ALWAYS, AT ITS HEART IS IMPROVING PADDY PRICES FOR RIVERINA GROWERS AND SHAREHOLDER RETURNS AND CAPITAL GROWTH FOR INVESTORS.**



Dear Growers and Shareholders,

Together, SunRice, our Growers and Shareholders are ideally positioned to take one of the most significant steps forward in our 68-year history.

From our beginnings as a co-operative, to our incorporation as a company, our subsequent listing on the NSX, and the way we have reshaped our business, we have always embraced opportunities for growth. The opportunity we propose to you now is no different. It's designed to strengthen us and enable us to build an enduring global business that benefits Growers, Shareholders and employees for generations to come. It is a change designed to utilise our strengths, further develop our resilience and capture current global opportunities – and as always, at its heart is improving Paddy Prices for Riverina Growers and Shareholder returns and capital growth for investors.

## **A strategy designed to deliver further growth and build resilience**

Globally, there is an increasing demand for food and a focus on its provenance. SunRice's new five-year growth strategy (2022 Growth Strategy) details the potential opportunities ahead of us, from capturing Asia's growing demand for premium products for the benefit of farm gate returns, to the opportunity to leverage our international supply chains to drive Shareholder value.

These opportunities for SunRice span the next three to five years, building on global food trends and SunRice's distinct competitive advantages. We have a strong growth agenda over the medium term. However, with an estimated \$200 - \$300 million in funding identified to implement the 2022 Growth Strategy, we require capital in excess of what we consider to be a prudent use of SunRice's current capabilities.

Your Board is determined to resource SunRice for the future and to deliver on the 2022 Strategy for all Shareholders. In this context and with a dynamic global operating environment, the need for external capital is more important than ever.

## **A proposal that will retain our existing structure and A Class Grower Shareholder Control<sup>1</sup>**

With this in mind, the Board has put forward a Proposal which involves transferring SunRice's listing of B Class Shares from the National Stock Exchange of Australia (NSX) to the Australian Securities Exchange (ASX). If approved by Shareholders, the ASX Proposal will remove current restrictions on who can own B Class Shares and the 5% B Class Shareholding Limit and allow anyone to invest in SunRice B Class Shares, up to a new maximum 10% B Class Shareholding Limit<sup>2</sup>.

This proposal retains our dual class share structure and critically, A Class Grower Shareholder Control. It is also different to the ASX fund structure we discussed with you in 2015-2016, when the option we're presenting to you today wasn't available.

Your Board is delighted that the ASX has indicated its willingness to list our B Class Shares without a requirement to change the fundamental structure of SunRice. Our existing corporate structure, A Class Grower Shareholder Control and our day-to-day operations, including the rigorous processes and formulas we have in place for determining Paddy Prices for Riverina Growers will not change as a result of the ASX Proposal. SunRice has a strong track record of successfully balancing the interests of both A and B Class Shareholders for more than 10 years, and this too will continue. If approved, it is the securities exchange on which SunRice is listed, the range of investors who can buy and sell B Class Shares and SunRice's capacity to raise equity capital that will change. In this way, the ASX Proposal meets the Board's objectives, with the priority always to preserve A Class Grower Shareholder Control and the elements of our Company that have stood the test of time and provide certainty and transparency for both Growers and Shareholders. This was a non-negotiable for the Board and I know, for many of you.

The ASX is Australia's leading securities exchange and provides us with access to a much deeper pool of capital, improving our ability to raise funds to implement our Growth Strategy, as well as reducing business risk and increasing balance sheet strength. This last point is particularly important for a business such as ours, which is subject to cyclical and often unpredictable changes in business conditions, including drought.

<sup>1</sup> A Class Grower Shareholder Control: right of A Class Shareholders to vote at general meetings of SunRice, which gives them the right to elect Directors and approve any changes to the Constitution.

<sup>2</sup> Employees and Non-Grower Directors will remain subject to restrictions in the Employee Share Plan Rules, which restrict current and former employees and Non-Grower Directors who have been issued B Class Shares under the Employee Share Plan from acquiring any additional B Class Shares by way of transfer; and which impose a limit on the total number of B Class Shares that can be held by employees and Non-Grower Directors at any time to 5% of the total issued B Class Shares. These restrictions in the Employee Share Plan Rules can only be removed or varied by an ordinary resolution of the A Class Shareholders.



## Advantages and disadvantages for Growers and Shareholders

Details on the proposed changes, benefits, disadvantages and other considerations relating to the ASX Proposal are contained in this document and should be considered in full before you decide on how to vote on the ASX Proposal. However, the Board considers the ASX Proposal provides the following advantages:

- A Class Grower Shareholder Control will be retained in all respects;
- It provides improved access to a deeper pool of capital to better support growth initiatives designed to improve the Paddy Price and Shareholder returns;
- The removal of ownership restrictions could reasonably be expected to improve the liquidity of B Class Share trading and facilitate the re-rating of B Class Share price over time;
- Estate planning issues will also be addressed with the removal of ownership restrictions on B Class Shares;
- There will be enhanced potential to use B Class Shares as collateral; and
- No adverse Australian income tax implications are anticipated for Shareholders.

The Board notes the following matters that may be considered by some Shareholders as disadvantages:

- If the B Class Share price re-rates over time as anticipated, there may be an increased cost of entry for new A Class Shareholders, given they're required to hold a minimum of 3,000 B Class Shares;
- As B Class Shares can be purchased by anyone, there is likely to be an increasing proportion of B Class Shareholders with no rice industry connection over time. However, this won't impact A Class Grower Shareholder Control, which will remain as it is today;
- There will be some changes made to B Class Shares. The ASX Proposal will result in different and expanded class voting rights for B Class Shares, but only in relation to matters that affect their rights or economic interests, or as otherwise required by the ASX Listing Rules (we note some Shareholders will consider this as an advantage);
- There is potential for greater volatility in the B Class Share price and for increased scrutiny of the SunRice Board and structure;
- As is the case with any capital raising, there is the potential for dilution of B Class Shareholdings if further B Class Shares are issued in the future; and
- There will be increased fees and administrative expenses.

The Board considers that the advantages of the ASX Proposal significantly outweigh the disadvantages and we support the ASX Proposal in full. As noted earlier, while the ASX exchange may be new to us, the requirements of it are not. We have a solid track record of navigating many of the potential issues outlined above on the NSX and successfully delivering on the needs of the business, Growers and Shareholders.

## An important decision and significant next step

Your Board unanimously recommends the ASX Proposal to A and B Class Shareholders and each Director intends to vote their Shares in favour of the ASX Proposal on 20 September 2018. However, this next step is ultimately a decision for you, our A and B Class Shareholders. It's important that you read this document (and all accompanying materials) in full and seek your own financial and other professional advice before voting.

I look forward to discussing with you the ASX Proposal, the 2022 Growth Strategy and what this means for Growers and Shareholders in the weeks ahead and encourage you to attend the information sessions planned ahead of the vote. You can also ask questions, request a shed meeting and keep up to date through [www.sunrice.com.au/ASX](http://www.sunrice.com.au/ASX) and the Shareholder Information Line: 1800 020 806. Thank you for your continued support.



Laurie Arthur  
Chairman



**IMPORTANTLY, THE ASX PROPOSAL DOESN'T CHANGE THE FUNDAMENTAL STRUCTURE OF SUNRICE, A CLASS GROWER SHAREHOLDER CONTROL OR OUR DAY-TO-DAY OPERATIONS. THESE ELEMENTS, WHICH HAVE BENEFITED GROWERS AND SHAREHOLDERS FOR MORE THAN 10 YEARS, WILL CONTINUE.**



# PROPOSED TIMETABLE AND IMPORTANT VOTING INFORMATION FOR SHAREHOLDERS

## Proposed Timetable

EVENT	INDICATIVE DATE (LOCAL TIME APPLIES) <sup>3</sup>
Explanatory Booklet and Notices of Meeting sent to Shareholders	Friday, 27 July 2018
Latest time and date by which the white Annual General Meeting Proxy Form must be received by the Share Registry	10.30am on Tuesday, 18 September 2018
Latest time and date by which the yellow B Class Meeting Proxy Form must be received by the Share Registry	10.30am on Tuesday, 18 September 2018
Time and date for determining eligibility to vote at the Annual General Meeting and B Class Meeting	7.00pm on Tuesday, 18 September 2018
Annual General Meeting to be held at Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie NSW 2761	10.30am on Thursday, 20 September 2018
B Class Meeting to be held at Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie NSW 2761	Immediately after the Annual General Meeting on Thursday, 20 September 2018
<b>FOLLOWING THE MEETINGS</b>	
De-listing of SunRice and B Class Shares from NSX	Before 31 December 2018
Listing of SunRice and quotation of B Class Shares on ASX	Before 31 December 2018
Effective date of the New Constitution	Same date as Listing of SunRice on ASX

## Important Voting Information for Shareholders

Your vote is important. While it is not compulsory to vote on the ASX Proposal, your Directors encourage you to do so given the significance of the outcome to SunRice's future.

### Voting before the relevant Meetings

If you can't attend your relevant Meeting but still wish to vote, you can do so by completing and returning the enclosed Proxy Form online, by mail or facsimile, along with any power of attorney or authority under which your proxy is signed. Please note the online lodgment facility will open on Friday, 10 August 2018. You can also pass your completed Proxy Form (and any power of attorney or authority under which your proxy is signed) to a Director or other representative of SunRice to provide to the Company or the Share Registry. For your proxy to be counted, your form must reach us before the following dates and times (Local Time applies):

- 10.30am, Tuesday, 18 September 2018 for the Annual General Meeting
- 10.30am, Tuesday, 18 September 2018 for the B Class Meeting

Please remember, if your proxy form is received after the above times, it will not be accepted.

### Voting in person at the relevant Meetings

A and B Class Shareholders who wish to vote in person and/or attend their relevant Meetings in Jerilderie on Thursday, 20 September 2018 will need to register at the Meetings on the day. The registration desk will be open from 9.00am. Please bring the following documentation with you:

- Individual Shareholders should have their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) with them. You can also bring your Proxy Forms (enclosed) to assist with identification and registration.
- A company or corporate Shareholder can vote by appointing an individual to act as its representative at the relevant meeting (generally by a resolution of the company's directors). The representative must bring a completed corporate representative appointment form, duly executed on behalf of the relevant corporate Shareholder, in order to vote on that Shareholder's behalf.

For further information regarding voting requirements, please see Section 8 of this Explanatory Booklet and the Voting Information Schedule enclosed.

<sup>3</sup> All dates and times are indicative only. SunRice reserves the right to vary these dates and times. SunRice will make an announcement to the NSX of any changes if they occur.

— 1 —  
**SUNRICE  
DIRECTORS'  
RECOMMENDATIONS  
AND INTENTIONS**





# 1. SUNRICE DIRECTORS' RECOMMENDATIONS AND INTENTIONS

The SunRice Board considers that the ASX Proposal is in the best interests of A Class Shareholders and B Class Shareholders having regard to the potential advantages and disadvantages of the ASX Proposal (see Section 5).

Each Director recommends that:

- A Class Shareholders vote in favour of the ASX Resolutions at the Annual General Meeting; and
- B Class Shareholders vote in favour of the ASX Resolutions at the B Class Meeting.

Each Director intends to vote in favour of the ASX Resolutions for all A Class Shares and B Class Shares held by them or on their behalf. Voting information is set out in Section 8.



## — 2 — OVERVIEW OF THE ASX PROPOSAL



FINLEY RICE GROWER JOHN HAWKINS  
AND SUNRICE GROWER SERVICES  
FIELD OFFICER ANNA JEWELL

## 2. OVERVIEW OF THE ASX PROPOSAL

This Section is designed to give Shareholders an overview of the ASX Proposal and highlights key information that you should consider in making a decision on whether or not to support it. Further detail is contained in the body of the Explanatory Booklet, with the related Sections referenced to help you find information easily.

Please note the Explanatory Booklet does not take into account individual Shareholder's investment objectives, financial circumstances or particular needs. If you are in any doubt about how to deal with this document, we recommend you obtain your own financial, legal or other professional advice. The SunRice Board encourages you to read the Explanatory Booklet in full and exercise your right to vote on or before Thursday, 20 September 2018.

TOPIC	SUMMARY	MORE INFORMATION
<b>BACKGROUND TO THE ASX PROPOSAL</b>		
<b>What does the ASX Proposal aim to achieve?</b>	The ASX Proposal aims to improve SunRice's ability to raise capital, allowing the Company to take advantage of investor appetite for branded FMCG companies and agri-stocks, without making any fundamental changes to the structure of SunRice or A Class Grower Shareholder Control.	Section 3
<b>Why does SunRice need to change?</b>	SunRice has an ambitious global growth agenda, to be delivered under its 2022 Growth Strategy. However, the Company requires capital beyond the business's current capabilities to implement the Strategy in the medium to long term. While the NSX has served us well for many years, the ASX is best positioned to provide access to the equity capital needed to resource SunRice's next phase of growth.	Section 3
<b>What is the SunRice Growth Strategy?</b>	SunRice's 2022 Growth Strategy identifies a suite of achievable growth opportunities over the next three to five years based on matching global food trends with SunRice's diversified product portfolio and leveraging the Company's competitive advantages. It details key initiatives and investment areas designed to support SunRice's growth agenda and our objectives of improving Paddy Prices and Shareholder returns.	Sections 3.1 and 3.2
<b>How will SunRice's 2022 Growth Strategy improve Paddy Prices?</b>	SunRice's 2022 Growth Strategy includes a range of initiatives designed to improve the Paddy Price delivered through the Rice Pool business over time. Examples include upgrading our Australian facilities to meet premium market standards, particularly for Japanese cuisine customers; increasing sales and marketing efforts for Australian rice in Asia; and expanding global sourcing for lower returning markets, so Australian rice is sold into higher returning markets. All of these projects have the potential to positively impact Grower returns, however, they require funding.	Section 3.3
<b>How will SunRice's 2022 Growth Strategy improve B Class Shareholder returns?</b>	For our B Class Shareholders, value is delivered in the form of capital value and dividend growth, which are derived from the businesses that do not form part of the Australian Rice Pool, such as our International Rice and Rice Foods divisions, Riviana and CopRice. While these businesses may positively contribute to the Australian Rice Pool by purchasing Riverina Rice and, in some circumstances, supplementing Paddy Prices in accordance with the Paddy Pricing Policy, the profits they make are available for the Board to distribute as dividends to B Class Shareholders or to retain within SunRice.  Our Growth Strategy also includes a range of initiatives designed to strengthen these businesses, to increase overall business resilience and deliver shareholder value over time. Examples include scaling up CopRice and Riviana; developing an international Food Ingredients business; and growing SunRice's Healthy Snacks business in Asia. To release these benefits, these initiatives also require funding.	Section 3.3



TOPIC	SUMMARY	MORE INFORMATION
<b>Why is A Class Grower Shareholder Control important?</b>	A Class Grower Shareholder Control maintains a close connection between Growers and SunRice and, in the Board's view, will encourage an ongoing, sustainable supply of rice from the Riverina region. Maintenance of this connection and supply is important as Riverina Rice and the Rice Pool business form the foundation of SunRice and are a key part of the 2022 Growth Strategy.	Section 3
<b>How will A Class Shareholder Control be protected?</b>	Following the implementation of the ASX Proposal, just as it is today, any change of Control or takeover proposal for SunRice will require approval from A Class Shareholders via a 75% majority of the votes cast. A Class Shareholders will also retain their sole right to vote at general meetings of SunRice, which gives them the right to elect Directors, as well as the right to approve any change to the Constitution, thereby Controlling SunRice.	Section 5.1.1
<b>Why is the Board putting forward the ASX Proposal now?</b>	SunRice is well positioned to take advantage of its competitive strengths to maximise current global opportunities and build an enduring global business of scale to benefit Shareholders, Growers and employees for generations to come. However, the business requires access to capital beyond its current capabilities to execute the 2022 Growth Strategy in the medium to long term. Significantly, the ASX Proposal allows SunRice to retain its existing dual class share structure, unlike the ASX fund structure discussed with Shareholders in 2015-2016, when the current option wasn't available.	Section 3
<b>What are the implications if the ASX Proposal doesn't go ahead?</b>	If the ASX Proposal does not proceed, SunRice will remain listed on the NSX, with its current Constitution in place. It will not be listed on or gain access to the enhanced equity capital raising opportunities offered by the ASX.  While SunRice currently has capacity for growth in its balance sheet and a more limited ability to raise equity capital, this would mean the 2022 Growth Strategy would not be able to be implemented in full and likely result in a more modest growth trajectory for SunRice and its Growers and Shareholders. Given the re-rating that has occurred in SunRice's B Class Share price since the ASX Proposal announcement, it is also possible that the Share price would return to pre-announcement levels if the Company remains listed on the NSX.	Section 3.6
<b>What impact will the ASX Proposal have on the operation/structure of the company?</b>	SunRice's existing corporate and dual class share structure will continue under the ASX Proposal. In addition, the way we do business today, including our established policies, our management team and our operations will not change as a result of the ASX Proposal.	Section 4

#### OUTLINE OF THE ASX PROPOSAL

<b>What changes are included in the ASX Proposal?</b>	<p>The key changes under the ASX Proposal include:</p> <ul style="list-style-type: none"> <li>• B Class Shares will be listed on the ASX rather than the NSX;</li> <li>• Ownership restrictions on B Class Shares will be removed and anyone will be able to invest in B Class Shares, not just current and former Growers and employees;</li> <li>• The B Class Shareholding Limit will increase from 5% to 10%;</li> <li>• A Class Shareholders will be required to renew the B Class Shareholding Limit at SunRice's tenth annual general meeting after its ASX Listing and at each third annual general meeting thereafter;</li> <li>• The Board will be required to disclose in its sixth and tenth Annual Reports and in every third annual report thereafter whether it has considered removing the non-standard elements of SunRice's structure and if it has decided not to remove them, to publish the reasons why; and</li> <li>• The Constitution will include a list of matters that are deemed to vary B Class Share rights, and which will require approval from both A and B Class Shareholders (by a 75% majority of the votes cast).</li> </ul>	Section 4.2
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## 2. OVERVIEW OF THE ASX PROPOSAL

CONTINUED

TOPIC	SUMMARY	MORE INFORMATION
<b>Why the ASX?</b>	The ASX is the premier exchange for listed companies in this region, providing SunRice the ability to access Australia's largest pool of capital to fund the 2022 Growth Strategy.	Section 3.5.2
<b>What will the B Class Shareholding Limit increase mean?</b>	<p>SunRice is proposing to increase the B Class Shareholding Limit from 5% to 10%, which will provide scope for new investors to obtain a meaningful exposure to B Class Shares, while continuing to limit individual shareholder influence over the B Class Share register.</p> <p>The ASX requires the continuation of the B Class Shareholding Limit to be approved by A Class Shareholders at SunRice's tenth annual general meeting after its ASX Listing and at each third annual general meeting thereafter (by 50% approval).</p>	Sections 4.2 and 4.7
<b>What happens if the 10% B Class Shareholding Limit is not renewed?</b>	<p>If the 10% B Class Shareholding Limit is not renewed, it will remain in place in the Constitution until both A and B Class Shareholders agree – by way of a 75% majority of the votes cast by each class of Shareholders – on a different B Class Shareholding Limit.</p> <p>It's important to understand that the B Class Shareholding Limit only relates to the number of B Class Shares a single person (together with their Associates) can hold. It does not relate to A Class Grower Shareholder Control. Even if A and B Class Shareholders agree (by the requisite 75% majorities) to change the B Class Shareholding Limit it will not affect SunRice's dual class share structure or Control of the Company.</p>	Section 4.7
<b>What are the key changes to the SunRice Constitution?</b>	<p>The main change to the Constitution will be to remove the ownership restrictions on SunRice B Class Shares, therefore allowing them to be listed on the ASX and bought and sold by anyone, up to the B Class Shareholding Limit.</p> <p>Other changes include increasing the B Class Shareholding Limit from 5% to 10%; adding a list of matters which are deemed to vary B Class Share rights; and proposing the addition of a Non-Grower Director to the Board, although this is separate from the ASX Proposal.</p>	Sections 4.2, 4.5 and 4.6
<b>What are the Deemed Variation Matters and why are they needed?</b>	The Deemed Variation Matters are matters which are deemed to vary B Class Share rights. They are focused on ensuring B Class Shareholders are afforded a vote generally in circumstances where a change proposed by A Class Shareholders or otherwise could adversely impact on the rights or economic interests of the B Class Shareholders.	Section 4.6
<b>Will there be any changes to SunRice's Board composition?</b>	Separate to the ASX Proposal, the approval of A Class Shareholders is being sought at the Annual General Meeting to amend the Constitution to allow for an additional Non-Grower Director and to elect Dr. Andrew Crane to that position. If approved, the majority of the Board will continue to comprise of Grower Directors. Non-Grower Director Grant Latta has also announced his retirement and the appointment of Luisa Catanzaro as his replacement will be considered separately by A Class Grower Shareholders at the Annual General Meeting as well.	Enclosed Notice of Annual General Meeting



TOPIC	SUMMARY	MORE INFORMATION
<b>What is required for the ASX Proposal to be implemented?</b>	There are various resolutions which are required to be passed. However, in broad terms, a special resolution (75% majority of the votes cast) of each of the A Class Shareholders and of the B Class Shareholders is required for the ASX Proposal to proceed.	Section 8
<b>How will capital be raised?</b>	SunRice currently has headroom for growth in its balance sheet and does not require access to new capital immediately. However, in order to enable new investors to gain exposure to and familiarity with SunRice, a small capital raising may be considered in the future if the ASX Proposal is successful. The ultimate timing, size and method of the raising will be considered by the Board based on a range of factors, including business and market conditions <sup>4</sup> .	Section 6
<b>ADVANTAGES AND DISADVANTAGES OF THE ASX PROPOSAL</b>		
<b>What are the advantages?</b>	<p>The ASX Proposal offers the following advantages:</p> <ul style="list-style-type: none"><li>• Preserving existing Control by A Class Grower Shareholders on an ongoing basis;</li><li>• Improving the ability to raise capital and support future growth initiatives;</li><li>• Enhancing SunRice's ability to grow its business to increase Paddy Prices;</li><li>• Expected increased liquidity and potential for increase in the share price<sup>5</sup> over time;</li><li>• Estate and succession planning flexibility, allowing B Class Shares to be transferred to family members or others;</li><li>• Enhanced potential to use B Class Shares as collateral; and</li><li>• No adverse Australian income tax implications are anticipated for Shareholders.</li></ul> <p>Specific advantages for each class of Shareholder are listed in Section 5.</p>	Sections 5.1 and 5.3
<b>What are the disadvantages?</b>	<p>The potential disadvantages of the ASX Proposal include:</p> <ul style="list-style-type: none"><li>• Possible increased cost of entry for A Class Shareholders for the minimum B Class Share purchase;</li><li>• As B Class Shares can be purchased by anyone, there is likely to be an increasing proportion of B Class Shareholders with no rice industry connection over time;</li><li>• Potential for increased market scrutiny of SunRice Board and structure;</li><li>• Some changes to the existing rights of B Class Shares will be required (although this may also be viewed as an advantage by some Shareholders);</li><li>• Potential for greater volatility in the market price of B Class Shares;</li><li>• As is the case with any capital raising, potential dilution of B Class Shareholdings if further B Class Shares are issued in the future; and</li><li>• Increased fees and administrative expenses.</li></ul> <p>Specific disadvantages for each class of Shareholder are listed in Section 5.</p>	Sections 5.2 and 5.4

<sup>4</sup> Further details of any capital raising will be provided in due course if it proceeds, and a disclosure document for the offer will be made available when the B Class Shares are offered. The disclosure document will be made available on SunRice's announcement page and on its website if and when the capital raising is launched. You should consider the disclosure document when deciding whether to acquire B Class Shares under the capital raising, and anyone who wants to acquire B Class Shares will need to complete the application form that will be in or will accompany the disclosure document.

<sup>5</sup> It is important to note that the B Class Shares will be subject to market volatility on the ASX, business conditions and various other factors, which may result in both positive and negative movements in the market price.





## 2. OVERVIEW OF THE ASX PROPOSAL

CONTINUED

TOPIC	SUMMARY	MORE INFORMATION
<b>INFORMATION RELATING TO THE ASX</b>		
<b>How will I trade B Class Shares on the ASX?</b>	The majority of Australian brokers, including those familiar with SunRice on the NSX, already trade on the ASX. Trading logistics will therefore be the same, if not easier, than they are today for B Class Shareholders.	
<b>What are the tax implications for the ASX Proposal?</b>	There are no adverse Australian income tax implications anticipated for Shareholders. The tax implications for Shareholders will depend on each Shareholder's particular circumstances. Shareholders should obtain their own tax advice prior to voting for certainty.	Section 5.3.6
<b>INDEPENDENT EXPERT'S CONCLUSION AND DIRECTORS' RECOMMENDATION</b>		
<b>What is the Independent Expert's conclusion?</b>	The Independent Expert has concluded that the ASX Proposal is in the best interests of the A Class Shareholders and, separately, also in the best interests of the B Class Shareholders.	Section 7
<b>What is the Board's recommendation?</b>	The Board unanimously recommends the ASX Proposal to both A and B Class Shareholders and each Director intends to vote their Shares in favour of the ASX Proposal on 20 September 2018.	Section 1
<b>FURTHER INFORMATION</b>		
<b>Who can I contact if I have further questions?</b>	Further information and questions can be submitted via <a href="http://www.sunrice.com.au/ASX">www.sunrice.com.au/ASX</a> or by calling 1800 020 806.	

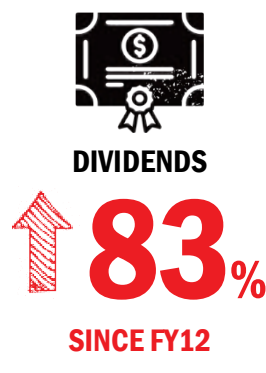
— 3 —  
**WHY IS THE ASX  
PROPOSAL  
REQUIRED?**



GUOJUN ZHAO, WHO WORKS FOR SUNRICE MASTER DISTRIBUTOR ETTASON



### 3. WHY IS THE ASX PROPOSAL REQUIRED?



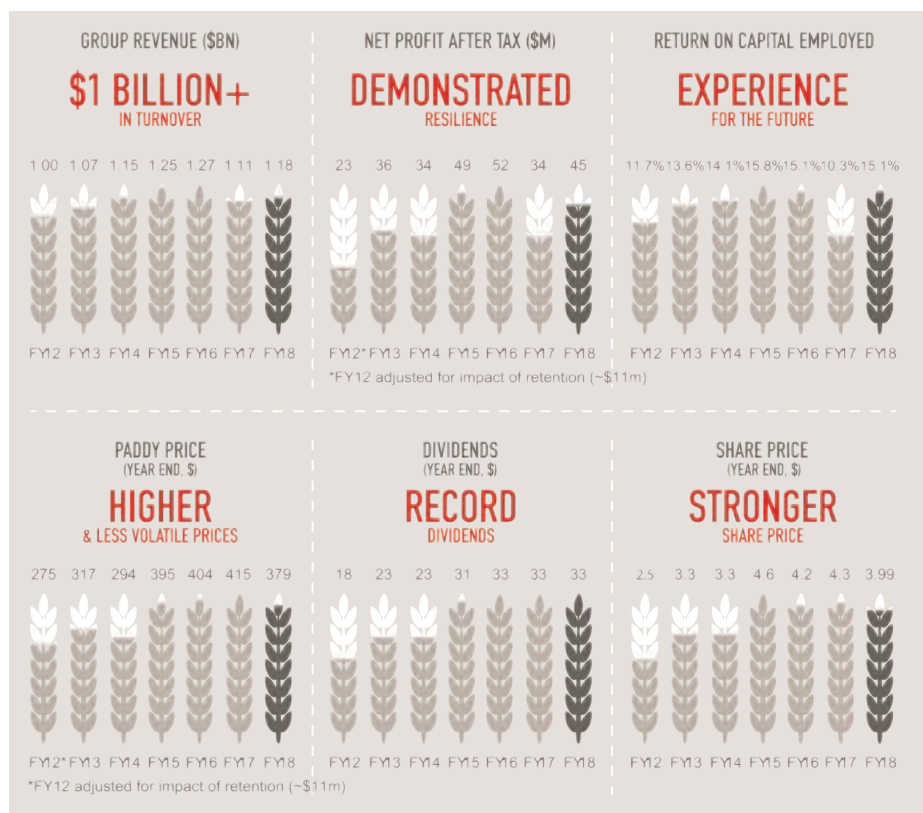
This Section provides an overview of the SunRice 2022 Growth Strategy and its objectives to improve Paddy Prices for Growers and returns for B Class Shareholders over time. This Section explains how the ASX Proposal supports the implementation of the Company's Growth Strategy and the implications if the ASX Proposal does not go ahead. It is important this Section is read in conjunction with the advantages and disadvantages of the ASX Proposal detailed in Section 5.

#### 3.1 SunRice's 2022 Growth Strategy

SunRice has achieved strong results since 2012, when the Company pursued a strategy that moved from just marketing the Australian rice crop to servicing growing market demand for branded rice products from multiple origins. This strategy established a secure and sustainable supply base for Japonica style rice in key international markets, improved financial performance and delivered market expansion. But most importantly it maximised Grower returns and grew Shareholder value (see Figure 1).

Now is the time to ensure we embed this resilience for the future. SunRice is well positioned to take advantage of many of the global food trends driving consumption around the world. The Company's 2022 Growth Strategy is designed to build on this excellent foundation to strengthen SunRice, building an enduring global company that benefits Growers, Shareholders and employees in the years to come. Its objectives are to increase returns for our Growers in the form of improved Paddy Prices and to increase returns for our B Class Shareholders in the form of dividends and increased capital value.

Figure 1: SunRice results FY12 – FY18



\*FY12 adjusted for impact of retention (~\$11m).



### 3.1.1 Global food trends and SunRice's competitive advantages

SunRice's 2022 Growth Strategy has been developed to capitalise on the following global food trends:

- **Convenience and packaging:** Consumers in developing countries that are increasing in affluence are seeking trusted, high quality rice, packaged for convenience;
- **Obesity and diabetes epidemic:** Rice eating nations are facing rising public health crises, and Low GI rice has significant potential as a healthy alternative in these markets;
- **Fascination with sushi:** There is increased global demand for sushi, with few locations in the world able to grow suitable short grain. Some of the best sushi rice varieties are currently grown in the Riverina and there is significant scope to increase production;
- **Healthy snacking:** Healthy snacking is a fast-growing category in SunRice's existing domestic and offshore markets, as well as Asia. There is potential to diversify SunRice's high value rice-based snacks to meet global demand for new healthy, tasty snack foods;
- **Food ingredient trends:** The trend for gluten free, low-allergen, animal-free foods and ingredients provides significant opportunities to offer rice-derived solutions for food manufacturers; and
- **Food safety:** Consumer concerns in existing and target markets regarding the integrity of their food supply chains mean that they will pay a premium for food from sources they can trust.

In addition, the 2022 Growth Strategy seeks to leverage SunRice's competitive advantages:

- **The provenance of Riverina rice:** Riverina Rice is recognised as amongst the best in the world for quality and taste. In order to deliver on the 2022 Growth Strategy, SunRice is encouraging Riverina Growers to produce premium varieties to meet global food trends and demand, particularly in discerning markets willing to pay a premium for quality.
- **SunRice's global supply chains:** The Company's existing supply chains and quality assurance systems allow SunRice to flex its multiple supply sources to respond to market dynamics and opportunities. Under the 2022 Growth Strategy, the Company will use its supply chains to meet demand in lower value markets, while assuring quality through our established systems. SunRice's supply chains are also able to be used to introduce new products to market across categories and geographies.

### 3.2 Strategic initiatives and investment

The 2022 Growth Strategy includes the following key initiatives that are intended to drive SunRice's objectives of improving returns for both Growers and Shareholders over time. Approximately \$200 - \$300 million would be required over the next three to five years to execute these opportunities. This is in addition to the Company's ongoing capital expenditure, which is allocated to projects and initiatives on an annual basis.



SunRice's 2022 Growth Strategy has been developed to capitalise on global food trends and the Company's competitive advantages



**APPROXIMATELY  
\$200 - \$300  
MILLION WOULD BE  
REQUIRED OVER  
THE NEXT THREE -  
FIVE YEARS TO  
IMPLEMENT THE  
STRATEGY**





## 3. WHY IS THE ASX PROPOSAL REQUIRED?

CONTINUED



### STRONGLY POSITIONED

To take advantage of the global fascination with sushi



SUNRICE HAS THE OPPORTUNITY TO DIVERSIFY ITS HEALTHY SNACKS PORTFOLIO

BUILDING HIGH VALUE RICE-BASED SNACKS INTO A NEW INTERNATIONAL SALES PILLAR

### 3.2.1 Expanding our Low GI and Sushi rices into new markets

SunRice has significant opportunities to expand its Low GI and Sushi rice varieties into new markets, especially in Asia. The Company is well-positioned to meet the requirements of these markets and the global food trends underpinning consumption. To take advantage of these opportunities, SunRice proposes to:

- Develop agronomic packages to enable Riverina Growers to increase production of premium varieties;
- Upgrade and invest in our Australian receival, storage and milling facilities to ensure the high standards of these discerning markets can be met;
- Boost Asian sales and marketing efforts to develop markets; and
- Conduct consumer-led varietal research and development to support this initiative.

*The anticipated capital requirement for this initiative is A\$30 – 50 million.*

### 3.2.2 Growing our healthy snacks business

SunRice has identified the opportunity to diversify its portfolio by building high-value rice-based snacks into a new sales pillar with an international focus. SunRice requires a cost-effective operation of sufficient scale to support expanding product offerings and markets and proposes to:

- Accelerate new product development and innovation either within the SunRice business or through acquisition;
- Boost global sales and marketing efforts to develop these markets; and
- Invest in lower-cost snacks production facilities and global supply chains.

*The anticipated capital requirement for this initiative is A\$30 – 50 million.*

### 3.2.3 Building a healthy food ingredients business in both rice and rice derived products

As food manufacturers increase demand for gluten-free foods and plant-derived protein, there is considerable opportunity for SunRice to offer rice-derived solutions. SunRice has the opportunity to expand its food ingredients capability supplying domestic and international markets, especially through technology partnerships and bolt-on processing facilities. In order to do this, SunRice proposes to:

- Conduct customer-focused research and development;
- Pursue global partnerships and potential acquisitions;
- Leverage quality-assured supply chains to maintain our position as supplier of quality and clean product; and
- Invest in facilities both in Australia and offshore.

*The anticipated capital requirement for this initiative is A\$20 – 50 million.*





### 3.2.4 Cementing one quality-assured global supply chain

With multiple sources of rice identified in the 2022 Growth Strategy, SunRice intends to extend the standards that make the SunRice brand so highly trusted to create one consistent and quality-assured global supply chain.

A holistic global supply chain would open new rice market opportunities, deliver the tonnage required to meet business objectives and provide alternatives to Australian rice during periods of drought, ensuring Riverina Rice is placed in the highest returning markets, irrespective of crop size. To take advantage of these opportunities and cement one supply chain offshore, SunRice proposes to:

- Develop quality-assured and traceable supply chains offshore;
- Conduct customer-focused research and development;
- Invest in facilities both in Australia and offshore; and
- Build a facility in Asia and invest in a related quality assurance supply chain.

*The anticipated capital requirement for this initiative is more than A\$50 million.*

#### HOW DOES INTERNATIONAL RICE SOURCING BENEFIT RIVERINA GROWERS?

Building branded presence and growing demand beyond the Australian supply base puts SunRice in a powerful position to either place a larger Riverina Rice crop or accommodate a smaller one through globally-sourced rice. Significantly, this means giving first choice of premium markets to Riverina Rice, to ensure the highest possible Paddy Prices for Growers.

Having access to alternate and ongoing sources of rice, in addition to Riverina production, positions SunRice strongly to respond to adverse circumstances without having to downsize the business significantly or lose market share. It also enables corporate costs and overheads to be shared more fully across the Rice Pool and Profit businesses.

Resilience for the future is critical for our Growers and A Class Shareholders, who rely on the strength of the SunRice business as a whole, to maintain core milling and storage assets in the Riverina in cycles of adversity. The underutilisation of these assets also has the potential to impact both the Rice Pool and Profit businesses and, by extension, both Growers and B Class Shareholders.

### 3.2.5 Expansion of a diversified portfolio

SunRice also plans to strengthen some of the existing Profit businesses in its portfolio that have potential to generate higher revenue and profits and deliver increased resilience through expansion and diversification. The 2022 Growth Strategy has identified the following two opportunities:

- **CopRice:** SunRice proposes to scale-up the CopRice business, including through mergers and acquisitions, to build an industry-leading animal nutrition business; fully capitalising on its rice co-products supply base and expanding its geographic presence in key markets. This includes initiatives spanning dairy, sheep and beef, equine and companion animals.
- **Riviana:** SunRice proposes to scale-up the Riviana business, utilising mergers and acquisitions to build a greater share of the “entertaining platter” market through extension of its core portfolio and brand diversification in its retail channel. Complementing this is a focus on leveraging its Foodservices pantry offer with convenient “Chef” quality meal preparation solutions.

*The anticipated capital requirement for these initiatives is A\$50-100 million.*



**ONE QUALITY  
ASSURED GLOBAL  
SUPPLY CHAIN**



**COPRICE AND RIVIANA  
HAVE POTENTIAL TO  
GENERATE HIGHER  
REVENUE AND PROFITS  
AND DELIVER INCREASED  
RESILIENCE THROUGH  
DIVERSIFICATION**



## 3. WHY IS THE ASX PROPOSAL REQUIRED?

CONTINUED

### SUNRICE'S DUAL OBJECTIVES ARE TO DELIVER VALUE FOR BOTH GROWERS & INVESTORS



SunRice's Growth Strategy includes specific initiatives designed to increase the Paddy Price for Riverina Growers



The Growth Strategy also includes initiatives to increase overall business resilience and deliver Shareholder value over time

### 3.3 How does the Growth Strategy impact Paddy Prices and Shareholder value?

The SunRice 2022 Growth Strategy initiatives are intended to create value for Growers and Shareholders.

#### 3.3.1 Increasing value for Growers

From a Grower perspective, value is delivered in the form of the Paddy Price for Riverina Rice and the services delivered to Growers in the form of varietal research and development, agronomic advice and support, and the availability and maintenance of receival depots and local infrastructure.

In terms of maximising the Paddy Price, there are a range of factors that cannot be controlled, including world rice prices, global stockpiles of medium grain, foreign exchange rates and the cost and availability of water in the Riverina. The Growth Strategy is focused on the remaining factors that SunRice can control, including:

- Getting the highest price possible for Riverina Rice; and
- Reducing variable costs that impact Paddy Returns.

Therefore, to increase the Paddy Price, the Growth Strategy is focused on:

- Shifting more of the Riverina crop away from medium grain towards high-value premium varieties, like Koshihikari and Doongara;
- Placing all Riverina Rice, including medium grain, in higher returning markets, across both core rice and value-added initiatives. A key part of this strategy is ensuring lower returning markets are supplied with non-Riverina Rice even in large crop years, so the average Paddy Price is not reduced; and
- Minimising operating costs, including overheads, which would be shared more fully across SunRice's traded rice portfolio and other parts of the Company as these segments grow.

In line with this, the 2022 Growth Strategy includes the following specific initiatives:

- Upgrading our Australian facilities and technology so we can meet premium market standards, particularly for sushi;
- Increasing our sales and marketing efforts for Australian rice in Asia;
- Expanding global sourcing for lower returning markets, so Australian rice is sold into higher returning markets;
- Increasing agronomic services and research and development to drive better returns on farm; and
- Reducing the operating costs and corporate overheads charged to the Rice Pool business, as outlined above.

All of these projects have the potential to positively impact Grower returns. However, as outlined earlier in this Section, these projects require funding.

#### MATCHING RIVERINA RICE TO THE RIGHT MARKETS TO IMPROVE PADDY PRICES

In response to the increasingly complex and sophisticated global rice market and the ever growing competition for agricultural resources in the Riverina, SunRice is focused on improving Paddy Prices for Riverina Growers. We have implemented a strategy that uses our capability and resources to rigorously challenge the returns in each of our markets. Where possible we are re-directing SunRice products to the highest returning markets and replacing those products from alternative supply chains beyond the Riverina. SunRice is determined to retain a presence in our existing markets, as well as entry into new markets that provide opportunities for our premium Australian rice and reward our Growers through improved Paddy Prices.



### 3.3.2 Increasing value for investors

From an investor or B Class Shareholder perspective, value is delivered in the form of capital value and dividend growth, which are derived from the businesses that do not form part of the Rice Pool business, such as the International Rice and Rice Foods divisions, Riviana and CopRice. While these businesses may positively contribute to the Rice Pool by purchasing Riverina Rice and, in some circumstances, supplementing Paddy Prices in accordance with the Paddy Pricing Policy, the profits they make are available for the Board to distribute as dividends to B Class Shareholders or to retain within SunRice. These profits include costs applied to the Rice Pool for the use of brands and assets.

The 2022 Growth Strategy includes a range of initiatives designed to strengthen these businesses, to increase overall Group resilience and deliver Shareholder value over time. Specific initiatives include:

- Scaling up the CopRice and Riviana businesses;
- Developing an international food ingredients business; and
- Growing SunRice's healthy snacks business in Asia.

These initiatives also require funding to be executed in full.

### 3.3.3 Complementary nature of the Australian Rice Pool and Profit businesses

It is important to understand that the two parts of SunRice – the Rice Pool and the Profit businesses - do not operate in isolation. The two are complementary and work together to minimise risk across the entire Group (see Figure 2).

In this way, the elements of the SunRice business and Growth Strategy provide resilience for SunRice. Importantly, we have a proud track record spanning more than 10 years of successfully balancing attractive Paddy returns for our Growers and improvement in dividends and share price growth for our B Class Shareholders. The structure of the Rice Pool business and Profit businesses, and the policies that support it, will not change as a consequence of the ASX Proposal.

Figure 2: SunRice Rice Pool and Profit Businesses





### 3. WHY IS THE ASX PROPOSAL REQUIRED?

CONTINUED



**SUNRICE'S GROWTH STRATEGY IS DESIGNED TO MITIGATE RISK BY BUILDING A GLOBAL BUSINESS OF SCALE. HOWEVER, THE CURRENT OPTIONS AVAILABLE TO SECURE ADDITIONAL CAPITAL ARE EITHER INSUFFICIENT, OR NOT WELL SUITED, TO PURSUE THE GROWTH OPPORTUNITIES IDENTIFIED.**

#### 3.4 How does the Growth Strategy reduce business risk?

SunRice has always embraced the changes necessary to strengthen the Company, just like our Growers, who are contemporary farmers that consistently adapt their businesses to meet the changing environment. It is the Board's view that it is prudent to strengthen and grow the SunRice business to provide sufficient scale to navigate challenges and meet the needs of our customers in a dynamic global environment. This includes being well placed to face known challenges in the form of:

- **Sovereign risk in our key markets:** Including unexpected changes in policy, law or regulation in key markets in which SunRice operates that may affect the Company or its customers;
- **Increased competition:** From suppliers using low-cost international rice, which can make it difficult for Riverina Rice to compete on price, especially in lower-returning markets;
- **Reduced consumer affordability:** As noted above, Riverina medium grain rice has become less affordable for consumers in some of SunRice's existing key markets, given downturns in economic prosperity;
- **Oversupply situations:** Which can occur globally for certain varieties of rice due to a number of factors, and can impact rice prices in world markets;
- **Global pricing:** As noted above, drops in international prices for certain varieties of rice have the potential to impact SunRice and its suppliers; and
- **Competition for Riverina resources:** There is competition from crops other than rice for Riverina farmers' water and land resources.

SunRice's 2022 Growth Strategy is designed to help mitigate these factors by building a global business of scale to reduce business risk and increase resilience and balance sheet strength, particularly in periods of adversity.

#### 3.5 How does the ASX Proposal support SunRice's Growth Strategy?

SunRice has an ambitious global growth agenda. An estimated A\$200 - A\$300 million in funding would be required to execute the initiatives identified in the Growth Strategy, over and above SunRice's existing capital expenditure.

The NSX has served us well for many years. However, given the opportunities ahead, it is the ASX that is best positioned to provide access to equity capital for SunRice to resource this next phase of growth and deliver on the Growth Strategy and the Board's vision.

##### 3.5.1 SunRice's current funding constraints

While SunRice is currently in a strong financial position, the status quo is unlikely to allow us to pursue the Growth Strategy over the medium to long term.

There is a range of funding options open to SunRice to secure additional capital, but these options are either not sufficient, or not well suited, to pursue the growth opportunities outlined earlier in this Section. These options include:

- **Profits:** SunRice's net profit after tax (NPAT) has averaged A\$43million over the last five years and from this an average of approximately 40% is paid out in dividends. Dividends represent the return paid to B Class Shareholders on their investment and this is an important income stream for many of our B Class Shareholders. Therefore, profits available after paying out dividends – approximately A\$20 million per annum - represent a limited source of funds to support growth opportunities.
- **Net working capital:** SunRice has focused strongly on reducing the Company's working capital and paying down debt over the past three years. SunRice is now positioned where it needs to be for our business operations and therefore no significant surplus is available to access.
- **Surplus assets:** SunRice has few surplus assets and limited buyers for them. As a result, asset sales have the potential to raise only around A\$10 million.



- **Bank debt:** SunRice utilises long term bank debt, referred to as core debt, to fund its growth opportunities. At balance sheet date (30 April 2018), SunRice's headroom for core debt increased by A\$70 million to A\$141 million. Combined with SunRice's low current gearing, this headroom provides some capacity to help fund the Growth Strategy, particularly in the near term. However, relying solely on debt to fund the Growth Strategy would increase the Company's gearing to above market acceptable levels, thereby increasing SunRice's financial risk profile. It also exposes SunRice if there is a market downturn, drought impacting operations or if the banks do not extend borrowings at maturity.
- **Current equity raising ability:** SunRice's current equity raising ability is limited to approximately 2,200 Shareholders, comprised of active or former Growers and employees. Based on previous participation rates across share offers, SunRice can raise approximately A\$8 million per year. However, raising equity at SunRice's historical B Class Share price is considered limited, expensive and dilutive.

While retained earnings and other sources provide some capacity to fund the 2022 Growth Strategy, they are not sufficient in isolation and would require SunRice to take on significant bank debt to supplement activities. Taking on debt in this way may result in increased risk for a cyclical business like SunRice and is not considered a prudent use of our facilities.

Given SunRice's growth agenda, the Company requires access to additional equity capital to achieve the right funding mix for the future.

#### WHY CAN'T SUNRICE JUST FUND THE GROWTH STRATEGY FROM BANK DEBT?

SunRice's financial performance and improvement in working capital has placed the Company in a strong financial position with a gearing level<sup>6</sup> of 9% at 30 April 2018. This low gearing level, when compared to SunRice's industry benchmark of 30%, and increased core debt headroom as noted in Section 3.5.1, enables SunRice to fund internal projects, including some identified under the 2022 Growth Strategy.

Maintaining a strong financial position for a sustainable and reliable supply chain is part of SunRice's 2022 Growth Strategy. Funding the \$200 - \$300 million required with bank debt alone is not a prudent use of SunRice's debt facilities and would expose the Company and its Shareholders to unnecessary risk. That's why bank debt is only part of the solution. In the Board's view, SunRice needs access to other forms of funding, particularly equity capital.

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<sup>6</sup> A gearing ratio generally compares the net funds borrowed by the company (net debt) to the company's total capital (equity + net debt).





## 3. WHY IS THE ASX PROPOSAL REQUIRED?

CONTINUED

### 3.5.2 Why the ASX?

The Board considers raising external equity on the ASX would provide an attractive and appropriate form of funding that would address SunRice's current capital constraints and allow us to pursue the 2022 Growth Strategy over the medium to long term.

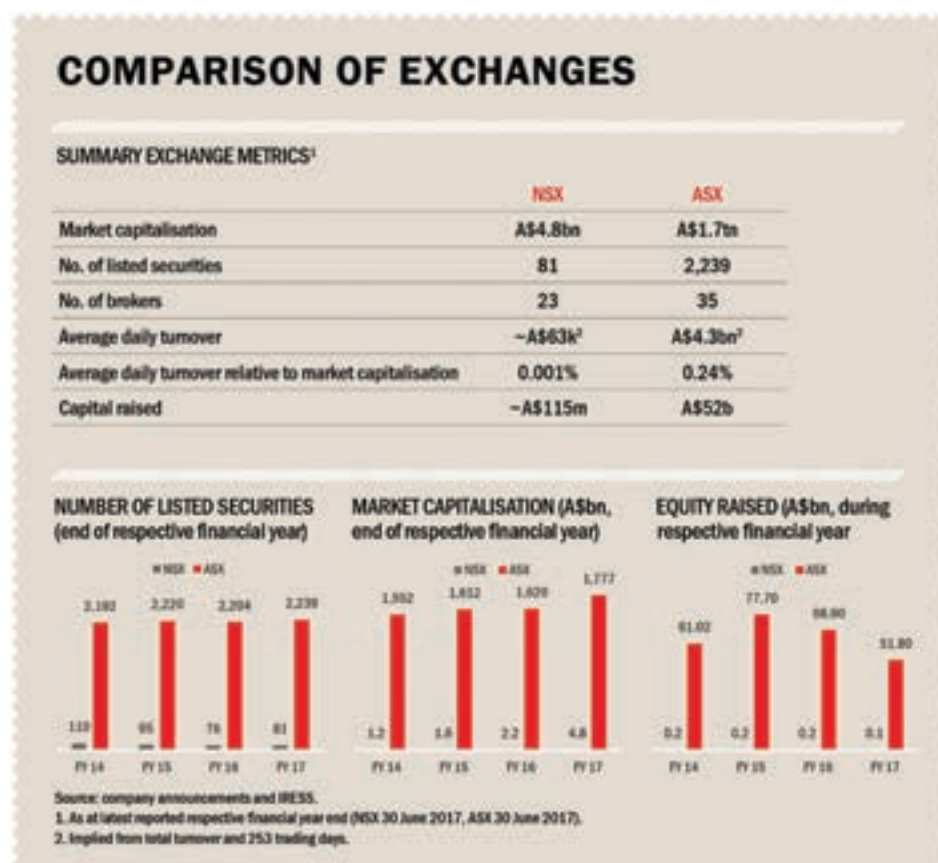
Compared to the limited funding options currently available to SunRice, equity raising through the ASX is anticipated to be less dilutive, have no recall (unlike debt funding), assist in keeping gearing levels manageable, and has the potential to facilitate an increase in both B Class Share liquidity and share price over time. Significantly, accessing funds in this way is likely to be both timely and efficient, which is viewed as critical given some opportunities under the Company's Growth Strategy may require access to significant levels of capital in a short time frame.

The ASX is Australia's leading securities exchange and provides access to a much deeper pool of capital for its constituents than the NSX, where SunRice is listed currently (see Figure 3).

The ASX is also home to a significant number of branded food, FMCG and agricultural companies, which could reasonably be regarded as peers of SunRice. There is growing interest in, and appetite for, stocks such as SunRice's, with a number of new listings and equity raising in the sector.

The Board is clear that there is no better destination than the ASX to raise the capital needed to pursue the 2022 Growth Strategy.

Figure 3: NSX vs. ASX





### 3.6 What happens if the ASX Proposal is not implemented?

SunRice's 'Business as Usual' projected performance positions the Company well today but is subject to a range of risks if we are not well funded for the future (see Section 3.4). This is why the Board has endorsed pursuing a 'step-out' strategy designed to provide the opportunity to create diversification, drive resilience and underpin value in the form of improved Grower and Shareholder returns.

If the ASX Proposal does not proceed, SunRice will remain listed on the NSX and its current Constitution (including the ownership restrictions on B Class Shares and 5% B Class Shareholding Limit) will remain in place. This will mean B Class Shares will continue to be unable to be transferred between farm businesses, from a company to a superannuation fund or to the beneficiaries of estates unless they are already existing Shareholders. SunRice will not be listed on or gain access to equity capital via the ASX and the benefits of the ASX Proposal that the Board has identified may not become available.

With respect to the 2022 Growth Strategy, while SunRice currently has capacity for growth in its balance sheet, this would mean the initiatives identified would not be able to be implemented in full and would likely result in a more modest growth trajectory for SunRice and its Growers and Shareholders. This would limit the Company's ability to drive growth and build greater resilience over the long term, particularly where large amounts of equity capital are required.

Given the re-rating that has occurred in SunRice's B Class Share price since the ASX Proposal announcement, it is also possible that the Share Price would return to pre-announcement levels if the Company remains listed on the NSX.

#### WHAT HAPPENS IF THE ASX PROPOSAL IS NOT IMPLEMENTED?



**B CLASS SHARES WILL  
CONTINUE TO BE LISTED ON  
NSX**



**SUNRICE WILL NOT HAVE  
IMPROVED ACCESS TO  
CAPITAL**



**THE BENEFITS THAT THE  
BOARD HAS IDENTIFIED  
WITH THE ASX PROPOSAL  
MAY NOT EVENTUATE**

— 4 —  
**KEY ELEMENTS  
OF THE ASX  
PROPOSAL**



SUNRICE IPM PROGRAM MANAGER, RESEARCH, DEVELOPMENT AND QUALITY, TIM ALLEN



This Section covers the key elements of the ASX Proposal in detail. This includes SunRice's dual class share structure; changes to allow the ASX Proposal to proceed; Deemed Variation Matters; changes related to the ASX Listing Rules; and future change of control transactions.

## **4.1 SunRice's existing structure**

SunRice currently has a dual class share structure with A Class and B Class Shares on issue (see Figure 4).

### **4.1.1 A Class Shares**

A Class Shares are redeemable preference shares which confer on their holders the right to vote at general meetings. They are not quoted and can only be held by Active Growers. No person may hold more than five (5) A Class Shares, however the right to vote is based on one member, one vote, meaning only one vote can be cast per A Class Shareholder irrespective of the number of A Class Shares held.

The Board may redeem the A Class Shares held by an A Class Shareholder if that Shareholder (or their Approved Entity) does not hold a minimum of 3,000 B Class Shares within three years of becoming a Shareholder. At the date of publication, there were 696 A Class Shares on issue.

A Class Shareholders have no right to receive dividends or distributions, other than the right to be repaid the amount paid up on the A Class Share on redemption or a winding up of SunRice (the amount paid up on A Class Shares is currently nil).

In practical terms, the voting rights held by A Class Shares give A Class Shareholders control over the election of Directors and any changes to the Constitution, and therefore, Control of SunRice. As a result of this, A Class Shareholders have the right to determine the outcome of a change of Control transaction of the Company.

### **4.1.2 B Class Shares**

B Class Shares represent the contributed equity capital in SunRice and therefore confer on their holders the right to receive dividends, as determined by the Board from time to time. They have only limited voting rights, which relate to circumstances where there is a variation of their class rights. Each B Class Shareholder has the right to participate equally in the distribution of any surplus on a winding up of SunRice, after the repayment of any amount paid up on the A Class Shares (which is currently nil).

B Class Shares have been listed on the NSX since 2007 and can only be held by existing and former Growers or their superannuation funds, and existing or former employees. Currently, new B Class Shares can only be issued to A Class Shareholders, existing B Class Shareholders, an Approved Entity of an existing Shareholder or participants under an Employee Share Plan.

No person (together with their Associates) can hold more than 5% of the total number of B Class Shares on issue and a proposal to acquire all B Class Shares by way of a scheme of arrangement requires the approval of B Class Shareholders (by 75% of the votes cast and by a majority of the B Class Shareholders present at the relevant meeting) and of A Class Shareholders (by 75% of the votes cast to remove the B Class Shareholding Limit). At the date of publication, there were 57.4 million B Class Shares on issue, held by approximately 2,200 Shareholders. SunRice conducts internal analysis to understand the overall number of B Class Shares held by A Class Shareholders and, at this date, A Class Shareholders held approximately 43.2% of B Class Shares. The balance was held by former A Class Shareholders at 54.3% and current/former employees and Non-Grower Directors at 2.4%.

A detailed description of A and B Class Share characteristics and associated Shareholder rights can be found in the SunRice Constitution.



## 4. KEY ELEMENTS OF THE ASX PROPOSAL

CONTINUED

Figure 4: SunRice structure before and after the ASX Proposal



### 4.2 Things that will change under the ASX Proposal

If the ASX Proposal is implemented, SunRice will retain a dual class share structure and there will be no change to SunRice's corporate structure, management or day-to-day operations.

However, the ASX Proposal involves the following key changes:

- Removing the ownership restrictions in the Constitution on who can be issued or transferred B Class Shares, allowing anyone to invest in SunRice up to the B Class Shareholding Limit<sup>7</sup>.
- Transferring SunRice's listing and quotation of the B Class Shares from the NSX to the ASX. As a result, SunRice will become subject to the ASX Listing Rules rather than the NSX Listing Rules (see Section 4.7 for more details).
- Changing the current B Class Shareholding Limit in the Constitution from 5% to 10%.
- Requiring the continuation of the 10% B Class Shareholding Limit to be approved by a simple majority vote of A Class Shareholders at SunRice's tenth annual general meeting after Listing and at each third annual general meeting thereafter. Approval by a 75% majority of the votes cast by both A and B Class Shareholders will be required to change or remove the B Class Shareholding Limit at a separate meeting.
- Requiring SunRice to disclose in its sixth and tenth annual reports after Listing, and in every third annual report thereafter, whether it has considered removing its "non-standard elements" and the reasons why (see Section 4.7 for more details).
- Including a list of deemed variations of B Class Share rights matters (Deemed Variation Matters) in the Constitution, which will require approval from both A and B Class Shareholders (by 75% majority of the votes cast by each class) to proceed (see Section 4.6 for more details).

If the ASX Proposal proceeds, the Existing Constitution will be replaced with a New Constitution to reflect the relevant changes referred to above. The New Constitution will also include substantial shareholder disclosure provisions, which will require any person who together with their Associates has a 5% or more relevant interest in B Class Shares to disclose their interests (and any change in their holding by one percentage point or more) to SunRice and to the market on the ASX platform. The summaries of the proposed changes to the Constitution in this Section 4.2 and in Section 4.5 are not intended to be exhaustive and Shareholders are encouraged to read the full terms of the New Constitution, which is attached at Annexure B in "tracked changes" if they wish to review all of the proposed changes.

As a result of the Deemed Variation Matters and SunRice becoming subject to the ASX Listing Rules rather than the NSX Listing Rules, there will also be a change to the approval requirements for certain matters meaning that in some cases, A Class Shareholders will obtain new approval rights or cease to have certain approval rights; and B Class Shareholders will obtain new approval rights. See Sections 4.6 and 4.7 for more details.

<sup>7</sup>Employees and Non-Grower Directors will remain subject to restrictions in the Employee Share Plan Rules, which restrict current and former employees and Non-Grower Directors who have been issued B Class Shares under the Employee Share Plan from acquiring any additional B Class Shares by way of transfer; and which impose a limit on the total number of B Class Shares that can be held by employees and Non-Grower Directors at any time to 5% of the total issued B Class Shares. These restrictions in the Employee Share Plan Rules can only be removed or varied by an ordinary resolution of the A Class Shareholders.



Figure 5: After ASX Proposal Implementation



### 4.3 Other key implications for A Class Shareholders

For A Class Shareholders, the ASX Proposal will not result in any change to the fundamental nature and key voting rights of A Class Shares. A Class Shareholders will continue to elect the Directors (through a simple majority vote) and their approval (through a 75% majority of the votes cast) will continue to be required for any changes to the Constitution and any change of Control transaction.

In addition, as a consequence of the ASX Proposal, there will be no change to:

- The requirement that A Class Grower Shareholders approve any changes to the Active Grower provisions of the Constitution;
- The requirement that A Class Shares be held by Active Growers;
- The established policies that govern how A Class Shares are issued or redeemed;
- The established Paddy Pricing Policy, which documents the policies and procedures applied by the Board in connection with the setting of Paddy Prices payable to Growers. The Policy allows the Board to modify the approach to setting the Paddy Price if such a change is determined to be in the best interests of SunRice, in which case the task is delegated to the Paddy Supply Committee (made up of Non-Grower Directors), but the Board retains the discretion whether to adopt the modified Paddy Price; and
- The NSW Government's rice vesting arrangements or SunRice's Sole and Exclusive Export Agreement with the Rice Marketing Board.

Figure 6: A Class Share features: Before and after the ASX Proposal

No fundamental change to A Class Shares, preserving A Class Grower Shareholder Control.

FEATURE	BEFORE	AFTER
Director election rights	✓	✓
Dividend rights	✗	✗
Eligibility criteria to hold A Class Shares	✓	✓
A Class Shareholding Limit of 5 A Class Shares	✓	✓ <sup>8</sup>
75% vote on change of control of SunRice <sup>9</sup>	✓	✓
75% vote to make changes to SunRice Constitution	✓	✓
Paddy Pricing Policy	✓	✓

<sup>8</sup> However, after the ASX Proposal, A Class Shareholder approval and B Class Shareholder approval (by at least a 75% majority vote of each class of Shareholders) will be required for any transaction that will result in a person's voting power in A Class Shares exceeding 10%.

<sup>9</sup> This refers to the threshold required to approve a proposal that involves the acquisition of all A Class Shares.

## 4. KEY ELEMENTS OF THE ASX PROPOSAL

CONTINUED

### 4.4 Other key implications for B Class Shareholders

For B Class Shareholders, there will be a series of changes, as detailed in this Section and elsewhere in this Explanatory Booklet. However, there will be no change to the rights of B Class Shares to dividends that the Board may declare from time to time.

Figure 7: B Class Share features: Before and after the ASX Proposal

FEATURE	BEFORE	AFTER
Represents contributed equity capital in SunRice	✓	✓
Dividend rights	✓	✓
Director election rights	✗	✗
Limited voting rights	Only on a “variation of class rights”	In addition to a variation of class rights, an expanded list of matters that are deemed to vary B Class rights will be introduced as well as rights required by the ASX Listing Rules.
Ownership / estate planning	Restricted to current and former growers and employees.	Unrestricted (freely held and tradeable).
Liquidity / share price uplift	Comparatively limited.	Potential for significant uplift over time <sup>10</sup> .
B Class Shareholding Limit	✓ (5% limit)	✓ (10% limit)
75% vote on a proposal to acquire all B Class Shares by way of a scheme of arrangement	✓	✓

### 4.5 Changes to the SunRice Constitution

As a part of the ASX Proposal, various amendments are proposed to be made to the Constitution. While the key amendments relate to the ASX Proposal, SunRice is also proposing other amendments to update the Constitution given a review of the Constitution has not been undertaken for some years. The key amendments proposed are summarised below.

CLAUSE REFERENCE	DESCRIPTION
<b>Rule 1.1</b>	Various new and deleted definitions to reflect changes elsewhere in the Constitution and the ASX listing. For example, the deletion of definitions of “Active Grower Director” and “Independent Director”, which are replaced with the more accurate definitions of “Grower Director” and “Non-Grower Director”.
<b>Rules 1.4</b>	Changes required to comply with the ASX Listing Rules (for example, a consistency provision at Rule 1.4).
<b>Deleted Rules 3.2(a), 3.3, 3.5, 3.9, 3.15, 9.2, 9.3, 11.1 (partial), 11.4(a)(i), Schedule 2</b>	Deletion of provisions relating to the initial registration of SunRice as a company registered under the Corporations Act as they are no longer necessary.
<b>Rule 3.4, 9.4</b>	Removal of the current ownership restrictions on who can become holders of B Class Shares to facilitate ASX trading.

<sup>10</sup> It is important to note that the B Class Shares will be subject to market volatility on the ASX, business conditions and other factors, which may result in both positive and negative movements in the share price.



<b>Deleted Rule 3.14, Schedule 1</b>	Deletion of provision requiring supplier members to subscribe for additional B Class Shares under a supplier share plan as this plan is no longer used.
<b>Rules 4.2, 4.3, 4.6 and 4.7</b>	<p>Increase of the B Class Shareholding Limit from 5% to 10%, together with the enforcement provisions below to reflect the ASX trading arrangement:</p> <ul style="list-style-type: none"><li>• Suspension of the relevant B Class Shareholder's voting rights and rights in relation to dividends or returns on a winding up, in respect of the excess shares; and</li><li>• Divestiture by a sale nominee of the excess shares, with payment of the net sale proceeds (after deduction of reasonable transaction costs and expenses) to the relevant B Class Shareholder. No warranty that any particular sale price will be achieved in respect of the sale of shares.</li></ul>
<b>Rule 4.4A</b>	Inclusion of requirement for B Class Shareholders to disclose substantial shareholdings (being Shareholdings in excess of 5% and any movement of at least 1%) consistent with the regime in the Corporations Act. No disclosure is currently necessary with a 5% shareholding limit.
<b>Rules 4.4A to 4.6</b>	Inclusion of provisions to ensure beneficial holders cannot circumvent the Shareholding Limit and the substantial holder regime in the Constitution by splitting their holdings across different nominees or registered holders.
<b>Rule 5.1(b)</b>	Inclusion of a right for A Class Shareholders to receive notice and attend (but not vote at) B Class Shareholders' class meetings.
<b>Rules 5.6, 3.7(b)</b>	Inclusion of the matters constituting a deemed variation of B Class Share rights and consequential changes. See section 4.6 for further details.
<b>Rules 9.5 and 9.6</b>	Changes required to comply with the ASX Listing Rules (for example, provisions relating to the restricted securities regime that applies under the ASX Listing Rules).
<b>Rule 10.2(a)(ii)</b>	Addition of a reference at Rule 10.2(a)(ii) to the ability of B Class Shareholders to receive notice of meetings.
<b>Rules 10.11, 1.2(d)</b>	Clarification that B Class Shareholders meetings will be held in accordance with general meeting provisions.
<b>Rule 11.1(a)(ii)</b>	Amendment to number of board nominated directors from three (3) to four (4), to reflect the appointment of a fourth Non-Grower Director.
<b>Rule 11.1(j)</b>	The Managing Director is not subject to the retirement requirements under Rule 11.1, as permitted by the ASX Listing Rule.
<b>Rule 11.6(b)</b>	Clarification that the Directors may only enter or approve any transaction involving a special class voting matter under Rule 5.6 with the approval of Shareholders as required by the Constitution, provided that the Directors can enter an agreement contemplating such a special class voting matter if the agreement is subject to a condition precedent that the approval of Shareholders as required by the Constitution is obtained.
<b>Rule 14.1</b>	Clarification of a registered Shareholding's entitlement to dividends.
<b>Rule 18</b>	Simplification of the winding up provisions of the Constitution, including confirmation of the current ranking of A Class Shares and B Class Shares.



## 4. KEY ELEMENTS OF THE ASX PROPOSAL

CONTINUED

<b>Rule 20</b>	Updating of SunRice indemnity in favour of its officers to cover Directors, alternate Directors, officers and senior managers, in respect of any liability incurred by the person in that capacity and certain legal costs (including legal costs in defending or resisting a proceeding, approved legal costs in obtaining legal advice on issues relevant to their functions and duties, or legal costs in connection with an application for relief under the Corporations Act). Clarification that such indemnities and insurance acquired by SunRice are subject to legal requirements. Clarification that SunRice may enter into deeds of access, indemnity and insurance.
<b>Rule 21</b>	Addition of electronic means as a permitted method for notices.
<b>Rule 21.1(h)</b>	Clarification that a person who may become entitled to Shares by operation of law, transfer or any other means are bound by notices given to the registered Member.
<b>Rule 21.7</b>	Confirmation that all notices must be in writing.
<b>Various Rules</b>	Other consequential amendments, drafting clarifications, class reference changes and updates to the Constitution.





## 4.6 Deemed Variation Matters

If the ASX Proposal is implemented, SunRice's New Constitution will include the following Deemed Variation Matters (Rule 5.6(d)), which cannot be undertaken without the approval of both A Class Shareholders and B Class Shareholders (by at least a 75% majority of the votes cast by each class). These matters have been identified as events or transactions that could adversely impact on the rights or economic interests of B Class Shareholders and therefore should require B Class Shareholder approval.

### WHY DO B CLASS SHAREHOLDERS NEED EXTRA RIGHTS?

The Board has reviewed the list of proposed Deemed Variation Matters and believe these rights are appropriate and fair to protect both current and new investors. These protections are focused on ensuring B Class Shareholders are afforded a vote generally in circumstances where a change could adversely impact on the rights or economic interests of the B Class Shareholders. For example, the sale of the main undertaking of SunRice, the sale of the Profit businesses, a proposal to create an additional class of shares, or a proposal to undertake a scheme of arrangement. The Board considers these protections are just as important for the Company's existing B Class Shareholders as they are for new incoming investors.

DEEMED VARIATION MATTER		KEY CHANGE FOR SHAREHOLDERS
<b>Person acquiring &gt;10% voting power</b>	i. A transaction involving SunRice or any transfer of Shares or any restructure of SunRice or amendment to the Constitution that will result in a person acquiring a relevant interest in Shares if the acquisition of the relevant interest would cause that person or someone else's voting power in Shares or any class of Shares to increase from 10% or below to more than 10%.	This will be a new approval right for both A Class Shareholders and B Class Shareholders.  As a practical matter it is likely that a change of control of SunRice will require approval of both A Class Shareholders and B Class Shareholders (see Section 4.8). This approval right will have the effect that if a restructure of SunRice will cause a person to have a 10% or more voting power in SunRice, that will require A Class Shareholder and B Class Shareholder approval. A 10% threshold is lower than the typical threshold for voting control of 50.1%.
<b>Sale of main undertaking or substantially all of the Profit business</b>	ii. A sale or other disposal of the main undertaking of SunRice (which will be treated as including a joint venture of the main undertaking with a person other than SunRice or its related bodies corporate and the issue of securities in subsidiaries that hold the main undertaking to a person other than SunRice or its subsidiaries) or a sale or other disposal of all or substantially all of the Profit businesses (being the businesses other than the Rice Pool business) of SunRice and its related bodies corporate.	Currently, under the NSX Listing Rules, A Class Shareholders have an approval right (by 50% majority) for similar matters if the NSX requires shareholder approval to be sought. However, following the ASX Proposal, the sale of the main undertaking or substantially all of the Profit businesses will require the approval of both A Class Shareholders and B Class Shareholders at the higher approval threshold of 75%.

## 4. KEY ELEMENTS OF THE ASX PROPOSAL

CONTINUED

DEEMED VARIATION MATTER		KEY CHANGE FOR SHAREHOLDERS
<b>Scheme of arrangement</b>	iii. A scheme of arrangement of the Shareholders or any class of Shareholders.	<p>Currently, A Class Shareholders do not have a right to approve a scheme of arrangement of the B Class Shareholders and vice versa.</p> <p>Following the ASX Proposal, both A Class Shareholders and B Class Shareholders will have the right to approve a scheme of arrangement of the other class of Shareholders.</p>
<b>Issue of other financial products with dividend rights</b>	iv. The issue of financial products by SunRice (other than B Class Shares) that have dividend rights or other rights to participation in the profits of SunRice.	<p>Currently, B Class Shareholder approval is not required for SunRice to issue shares or financial products, except where the issue would constitute a variation of B Class Share rights at common law.</p> <p>Following the ASX Proposal, the approval of B Class Shareholders will be expressly required to issue any financial products (other than B Class Shares) that have dividend rights or other rights to participation in the profits of SunRice.</p>
<b>Variation or cancellation of A Class Share rights that adversely affect B Class rights or economic interests</b>	v. A variation or cancellation of the rights attaching to the A Class Shares that adversely affects the rights or the economic interests of the holders of the B Class Shares (which will be treated as including the conversion of any A Class Share into other shares or a variation to the rights to be paid amounts on redemption or winding up as provided for in the Constitution).	<p>Currently, B Class Shareholder approval is only required to vary or cancel A Class Share rights if such action would constitute a variation of B Class Share rights at common law. A change that affects the B Class Shareholders' economic interests may not necessarily constitute a variation of their rights at common law.</p> <p>Following the ASX Proposal, the approval of B Class Shareholders will be expressly required to approve a variation or cancellation of A Class Share rights that adversely affects B Class Share rights or economic interests.</p>
<b>Issue of new class of shares</b>	vi. The issue of a new class of Shares or the variation or cancellation of the rights attaching to such a new class of Shares.	<p>Currently, B Class Shareholder approval is only required for SunRice to issue a new class of Shares if that would constitute a variation of B Class Share rights at common law.</p> <p>Following the ASX Proposal, the approval of B Class Shareholders will be required for SunRice to issue any new class of Shares (whether or not the new class of Shares affects the B Class Share rights at common law).</p>
<b>Capital reduction and share buy back</b>	vii. A reduction of capital or buy-back of any Shares (except for any reduction of capital that may occur in undertaking a redemption of A Class Shares pursuant to Rule 5.3 of the Constitution or any buy-back of B Class Shares permitted under the Corporations Act without approval by a resolution passed at a general meeting).	<p>Currently, B Class Shareholder approval is only required for a reduction of capital or share buy-back (other than A Class Share redemption) if it would constitute a variation of B Class Share rights at common law.</p> <p>Following the ASX Proposal, the approval of B Class Shareholders will be expressly required for any reduction of capital (other than a redemption of A Class Shares) or share buy-back that also requires A Class Shareholder approval under the Corporations Act (whether or not it affects the B Class Share rights at common law).</p>



DEEMED VARIATION MATTER		KEY CHANGE FOR SHAREHOLDERS
<b>Wind up of SunRice</b>	viii. A decision by A Class Shareholders to wind up SunRice.	This will be a new approval right for B Class Shareholders as currently their approval is not required to wind up SunRice.
<b>Certain Constitutional amendments</b>	ix. An amendment to the Constitution that adversely affects the rights or the economic interests of the holders of the B Class Shares (which will be treated as including any amendment to Rule 4.2 (B Class Shareholding Limit), Rule 4.6 (Consequences of breach of B Class Shareholding Limit), Rule 5.2 (Rights of B Class Shares), Rule 5.6 (Deemed Variation Matters) and Rule 10.2(a)(ii) (Giving notice of general meetings to B Class Shareholders)).	<p>Currently, B Class Shareholder approval to amend the Constitution is only required if the amendment would constitute a variation of B Class Share rights at common law. A change which affects the B Class Shareholders' economic interests may not necessarily constitute a variation of their rights at common law.</p> <p>Following the ASX Proposal, the approval of B Class Shareholders will be expressly required for any proposed amendments to the Constitution which adversely affects B Class Share rights or economic interests (including any amendments to the Deemed Variation Matters).</p>

The Constitution explicitly provides (Rule 5.6(d)) that, for the avoidance of doubt, any future changes to the criteria for holding A Class Shares or the Board structure will not constitute a variation of the rights attaching to the B Class Shares and will be solely determined by the A Class Shareholders.

## 4. KEY ELEMENTS OF THE ASX PROPOSAL

CONTINUED

### 4.7 Changes related to ASX Listing Rules

The ASX has its own listing rules, which are different to the listing rules of the NSX. The material differences for SunRice and A and B Class Shareholders are shown below. The threshold for Shareholder approval under both the NSX and ASX Listing Rules is a simple majority (50%). However, some of the matters listed below may also constitute a Deemed Variation Matter, in which case, the higher Shareholder approval threshold of 75% will apply.

MATTER	NSX	ASX
<b>Appropriate structure for listing</b>	There is no requirement to review SunRice's existing dual class share structure or the composition of the Board.	<p>As a condition of Listing on the ASX, SunRice will be required to disclose in its sixth and tenth annual reports after Listing, and in every third annual report thereafter, whether it has considered removing its "non-standard elements" – being its dual class share structure with differential voting rights, shareholding limits, and the director appointment provisions in the Constitution – and if it has decided not to remove the non-standard elements, the reasons for this.</p> <p>As noted above, if the Board at any point in the future proposes to change any of the non-standard elements of the SunRice structure, such change cannot occur without the approval of the A Class Shareholders (by a 75% majority of the votes cast). Where such a change varies the rights of B Class Shares (including if it is a Deemed Variation Matter), the approval of B Class Shareholders by a 75% majority of the votes cast will also be required.</p>
<b>Continuation of B Class Shareholding Limit</b>	There is no requirement to review or renew the B Class Shareholding Limit.	<p>Following the ASX Proposal, the continuation of the B Class Shareholding Limit (which will be at 10%) will be required to be approved by A Class Shareholders at SunRice's tenth annual general meeting after ASX Listing and at each third annual general meeting thereafter (via a 50% approval).</p> <p>However, any change to or removal of the B Class Shareholding Limit will require the approval of the A Class Shareholders and B Class Shareholders as a Deemed Variation Matter (see item (ix) in the table in Section 4.6) and would be voted on at the higher 75% majority threshold.</p> <p>Importantly, the B Class Shareholding Limit relates only to how many B Class Shares a single person (together with their Associates) can hold. It is separate from A Class Grower Shareholder Control and SunRice's dual class structure. If both A and B Class Shareholders cannot agree (by the requisite 75% majority) on a new B Class Shareholding Limit, then the existing B Class Shareholding Limit of 10% will remain in place (until such time as both classes of Shareholders can agree on an alternate B Class Shareholding Limit by way of a 75% majority of the votes cast).</p>





MATTER	NSX	ASX
<b>Issue of additional B Class Shares in excess of 15%</b>	<p>A Class Shareholder approval is required to issue more than 15% of the B Class Shares in any rolling 12-month period (subject to exceptions).</p> <p>B Class Shareholder approval is not required.</p>	<p>B Class Shareholder approval will be required to issue more than 15% of the B Class Shares in any rolling 12-month period (subject to exceptions).</p> <p>A Class Shareholder approval will not be required for the issue of B Class Shares (subject to the issue not resulting in a breach of the B Class Shareholding Limit or a person acquiring voting power in B Class Shares of more than 10%) unless the issue is to a related party (see below).</p>
<b>Issue of A Class Shares</b>	No approval is required from A or B Class Shareholders for the issue of A Class Shares.	No change (subject to the issue not resulting in a person acquiring a voting power in A Class Shares of more than 10% and the A Class Shareholding Limit).
<b>Major or significant transactions</b>	If required by NSX, A Class Shareholder approval is required for any significant change to the nature or scale of SunRice's activities.	If required by ASX, both A and B Class Shareholder approval is required for any significant change to the nature or scale of SunRice's activities. In addition, SunRice cannot dispose of its main undertaking without both A and B Class Shareholder approval.
<b>Issuing B Class Shares to a related party</b>	Under the NSX Listing Rules, A Class Shareholder approval is required if SunRice wishes to issue B Class Shares to related parties (subject to exceptions).	Under the ASX Listing Rules, both A Class and B Class Shareholder approval will be required for the issue of B Class Shares to a related party, such as SunRice Directors (subject to exceptions).
<b>Directors' participation in employee incentive scheme</b>	Under the NSX Listing Rules, an issue of B Class Shares under an employee incentive scheme does not require Shareholder approval.	Under the ASX Listing Rules, B Class Shareholder approval will be required for Directors to be issued B Class Shares under an employee incentive scheme.
<b>Dealing with substantial assets with a related party</b>	Under the NSX Listing Rules, SunRice must not acquire or dispose of a substantial asset from or to a related party without A Class Shareholder approval.	Under the ASX Listing Rules, both A Class and B Class Shareholder approval will be required for such related party transactions (except for an acquisition of Paddy on certain conditions, including that such acquisition is on identical terms as Paddy acquired from arm's length Growers).



## 4. KEY ELEMENTS OF THE ASX PROPOSAL

CONTINUED

### 4.8 Future change of control transactions

It is important to note that the ASX Proposal does not change the way in which a takeover approach for SunRice<sup>11</sup> will be managed, which will remain the same as it does today.

Given A Class Shares have voting rights in SunRice and B Class Shares have dividend rights, anyone who wishes to acquire SunRice will most likely propose a transaction to acquire all (or at least a majority of) both the A Class Shares and the B Class Shares and make appropriate changes to the Constitution to allow such an acquisition to proceed.

If the proposal appropriately valued both classes of Shares and the Board considered it to be in the interests of Shareholders, the Board would be obligated to put the proposal to A Class Shareholders and B Class Shareholders for consideration.

A takeover proposal of SunRice may take various forms (including a scheme of arrangement). However, due to the A Class Shareholding Limit and B Class Shareholding Limit in the Constitution, any takeover proposal for SunRice will require an amendment of the Constitution to proceed, which will require:

- 75% majority of the votes cast in favour from A Class Shareholders; and
- 75% majority of the votes cast in favour from B Class Shareholders.

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<sup>11</sup> This refers to a takeover approach to acquire all or a majority of the A Class Shares and B Class Shares.

— 5 —  
ADVANTAGES  
AND  
DISADVANTAGES  
OF THE ASX  
PROPOSAL



DAIRY FARMER BYRON SMITH ON HIS FARM IN NATHALIA, NORTHERN  
VICTORIA, WITH COPRICE PELLETS FOR HIS HERD



## 5. ADVANTAGES AND DISADVANTAGES OF THE ASX PROPOSAL

The ASX Proposal is an important decision for Shareholders and for the future of SunRice. It is crucial that all Shareholders are informed of the potential advantages and disadvantages of the ASX Proposal. This Section contains the material advantages and disadvantages that have been identified by the Board.

Please note the information in this Explanatory Booklet does not take into account individual Shareholder's investment objectives, financial circumstances or particular needs. As such, there may be other advantages or disadvantages particular to individual Shareholders' circumstances which are not listed in this Section. If you are in any doubt about how to deal with this document, we recommend you obtain your own financial, legal or other professional advice.

### 5.1 Advantages for A Class Shareholders

#### 5.1.1 Preserving existing Control of A Class Shareholders on an ongoing basis

Following the ASX Proposal, SunRice will continue to be Controlled by A Class Shareholders, as it is today. The ASX Proposal also preserves A Class Grower Shareholder Control, which will continue until such time as A Class Shareholders determine otherwise by way of approval by 75% of the votes cast.

Under the ASX Proposal, there will be no changes to the fundamental nature and voting rights of A Class Shares or the eligibility requirements to hold A Class Shares. However, the Board will continue to regularly assess the appropriateness of the criteria set by the Constitution for qualification as an Active Grower, with a view to considering if any revisions are required to be put to A Class Shareholders for approval.

A Class Shareholders will also retain:

- Ongoing rights to elect Directors to the Board. Under the New Constitution, Grower Directors continue to comprise the majority of the Board.
- Ongoing Control of SunRice. This includes the right to approve changes to the Constitution and the requirement for A Class Shareholders to approve any offers to acquire Control of SunRice.

This means a change of Control proposal for SunRice cannot be implemented without, at a minimum, approval by a 75% majority of the votes cast by A Class Shareholders (in addition to approval by a 75% majority of the votes cast by B Class Shareholders). In the same way as it is today, if this majority approval from the A Class Shareholders is not secured, this change cannot proceed.

#### 5.1.2 Improving ability to raise capital and support future growth initiatives

While not required immediately, access to equity capital is expected to help equip SunRice for the future in line with SunRice's 2022 Growth Strategy and its objectives (see Section 3).

The larger range of potential investors and the more liquid market offered by the ASX is expected to provide SunRice with access to a larger pool of capital than is currently available. Equity capital is intended to assist in delivering the range of strategic initiatives detailed in Section 3.2, including developing new products and markets, investing in existing and new facilities and consideration of mergers and acquisitions. Many of these activities are aimed at increasing Paddy Prices for Riverina Growers, as well as increasing Shareholder value, over time.

Access to capital will also provide SunRice with the potential to maintain its balance sheet strength and minimise business risk during times of drought, economic uncertainty or other circumstances.

#### 5.1.3 Enhancing SunRice's ability to grow its business to increase Paddy Prices

As noted above, the ASX Proposal should allow better access to capital to fund investment in all parts of the SunRice business, including the Rice Pool business. Strengthening of the Rice Pool business will ultimately flow through to Paddy Prices. This should place SunRice in a better position to target new and attractive markets for Riverina Rice in the future, while also allowing SunRice to drive greater innovation across its operations to achieve additional productivity improvements and cost-savings.

The Board believes that the opportunity to grow SunRice's businesses through greater access to capital is in the interests of both A and B Class Shareholders. This is because further growth and diversification of SunRice earnings should strengthen the Company and make it more resilient to adverse business conditions.





## **5.2 Disadvantages for A Class Shareholders**

### **5.2.1 Possible increased cost of entry for A Class Shareholders**

Currently, if an A Class Shareholder does not hold at least 3,000 B Class Shares within three years of becoming a Shareholder of SunRice, the Board has the discretion to redeem their A Class Shares. Following implementation of the ASX Proposal, the same minimum shareholding and eligibility terms will apply for A Class Shareholders.

The Independent Expert has concluded that implementation of the ASX Proposal should, over time, lead to material improvement in the market price of B Class Shares. If B Class Shares do increase in value, it is possible that B Class Shares will need to be purchased by A Class Shareholders who do not hold the minimum B Class Shareholding, at higher prices following implementation of the ASX Proposal, representing an increased cost of entry for the minimum B Class Share purchase.

### **5.2.2 Increasing proportion of B Class Shareholders with no rice industry connection over time**

Currently, B Class Shares are generally held by current or former Growers, or their superannuation funds, and current or former SunRice Group employees. Internal SunRice analysis indicates that, at the date of publication, under half of B Class Shares are held by A Class Shareholders.

The ASX Proposal will enable B Class Shares to be acquired and traded by investors generally on the ASX. As new investors acquire B Class Shares, and/or A Class Shareholders sell their B Class Shares, it is likely that there will be an increasing proportion of B Class Shareholders who have no present or past connection with the rice industry. In addition, the B Class Shareholding Limit will be increased to 10%.

There is the potential, after the ASX Proposal is implemented, for B Class Shareholders to be less sympathetic to the interests of Growers. This may lead to B Class Shareholders taking different views to A Class Shareholders in the future. However, the ASX Proposal has been developed to preserve A Class Grower Shareholder Control. SunRice will continue to be Controlled by A Class Grower Shareholders, as it is today, irrespective of different views that may be held by B Class Shareholders (although the potential for increased market scrutiny is noted below).

All investors who choose to acquire B Class Shares will do so knowing that they have no Control rights in relation to SunRice, and no rights to elect Directors or make changes to the Constitution without A Class Shareholder approval, and therefore limited ability to influence the corporate governance of SunRice or the existing policies that govern Paddy Pricing and dividends.

It should be noted that the interests of A Class Shareholders are in achieving returns through Paddy Prices. The interests of B Class Shareholders are in achieving dividends on B Class Shares and improvement in the market price of B Class Shares. These interests have diverged since SunRice's dual class structure was put in place. SunRice's Directors are required to act in the best interests of both classes of Shareholders at all times. This is an issue that the Directors have actively managed for more than 10 years and the Directors believe they have a demonstrated a strong track record in balancing the interests of both classes of Shareholders. A range of measures have been adopted to formalise the way in which those divergent interests are dealt with, including the Paddy Pricing Policy in determining Paddy Prices and the Company's Dividend Policy in determining dividends paid on B Class Shares.

### **5.2.3 Potential for increased market scrutiny of SunRice Board and structure**

The migration of SunRice's listing from the NSX to the much larger ASX, and the increase in the proportion of Shareholders who have no connection with the rice industry, means that SunRice and the decisions of the SunRice Board (including the management of the interests of A and B Class Shareholders) are likely to be subject to increased market scrutiny, including from institutional investors and shareholder associations.

As a condition of Listing on the ASX, SunRice is required to disclose in its sixth and tenth annual reports after Listing, and in every third annual report thereafter, whether it has considered removing its "non-standard elements" – being its dual class share structure with differential voting rights, shareholding limits, and the director appointment provisions in the Constitution – and if it has decided not to remove the non-standard elements, the reasons for this.

If a proposal is put forward at any point in the future to change any of the non-standard elements of the SunRice structure, such change cannot occur without the approval of the A Class Shareholders by a 75% majority vote. Where such a change varies the rights of B Class Shares (including if it is a Deemed Variation Matter), the approval of B Class Shareholders by a 75% majority vote will also be required. In this way, no change to these elements of the SunRice structure can occur unless A and B Class Shareholders agree to it by the appropriate majorities.



## 5. ADVANTAGES AND DISADVANTAGES OF THE ASX PROPOSAL

### CONTINUED

A Class Shareholders will also be required to approve the continuation of the 10% B Class Shareholding Limit at the tenth annual general meeting after SunRice's Listing on the ASX and at each third annual general meeting thereafter. However, again, it is noted that the only way the B Class Shareholding Limit can change is through a 75% vote of both A and B Class Shareholders. If Shareholders cannot agree (by the requisite 75% majorities) on a new B Class Shareholding Limit, then the existing B Class Shareholding Limit of 10% will remain in place.

#### 5.2.4 The ASX Proposal does involve some changes to the rights of B Class Shares

To implement the ASX Proposal, some changes to the existing rights of B Class Shares will be required, including:

- Different and expanded class voting rights for B Class Shares. However, these voting rights will only relate to extraordinary corporate events such as the disposal of SunRice's main undertaking, an acquisition by a person of more than 10% voting power in A Class Shares or B Class Shares, a scheme of arrangement or the creation of a new class of securities;
- B Class Shareholders will have additional rights to vote on certain matters under the ASX Listing Rules that they do not currently have, such as on the issue of additional B Class Shares in excess of 15% of the issued B Class Share capital in any rolling 12-month period.

### 5.3 Advantages for B Class Shareholders

#### 5.3.1 Additional protection for B Class Shareholder interests

As noted in Section 5.2.4, the expanded class voting rights of B Class Shares and the requirement for B Class Shareholders to vote on certain matters under the ASX Listing Rules will provide an additional level of protection for the interests of B Class Shareholders. This may be viewed as an advantage by some Shareholders.

#### 5.3.2 Expected increased liquidity and potential for increase in share price over time

The increased liquidity offered through an ASX listing of the B Class Shares means that greater trading volumes in B Class Shares can be expected over time, as compared to trading on the NSX. This will allow B Class Shareholders greater opportunity to buy or sell B Class Shares, if they choose to do so.

The Independent Expert has concluded that implementation of the ASX Proposal should, over time, lead to material improvement in the market price of B Class Shares. However, it is important to note that the B Class Shares will be subject to market volatility on the ASX, business conditions and other factors, which may result in both positive and negative movements in the share price.

It should also be noted that SunRice's dual class share structure and the differential voting rights attached to B Class Shares distinguishes SunRice from the majority of other ASX listed entities (which generally have a single share class with one vote per share). It is possible that some investors may be restricted (by virtue of their investment mandates or otherwise) from purchasing or holding SunRice B Class Shares. It is also possible that investors may choose not to purchase or hold SunRice B Class Shares due to the dual class share structure and the limited voting rights associated with SunRice B Class Shares. This may reduce the potential pool of investors from whom SunRice can raise capital and may impact upon the trading performance of SunRice B Class Shares following the listing.

#### 5.3.3 Improved ability to raise capital and support future growth initiatives

As noted in Section 5.1.2, while not required immediately, access to new equity capital should help equip SunRice for the future in line with the 2022 Growth Strategy and its objectives (see Section 3).

The larger range of potential investors and the more liquid market offered by the ASX is expected to provide SunRice with access to a larger pool of equity capital than is currently available. Equity capital is intended to assist in delivering the range of strategic initiatives detailed in Section 3.2, including developing new products and markets, investing in existing and new facilities and consideration of mergers and acquisitions. Many of these activities are aimed at increasing Shareholder value over time, in the form of potential dividends and capital growth, as well as increasing Paddy Prices for Riverina Growers.

Access to capital will also provide SunRice with the potential to maintain its balance sheet strength and minimise business risk during times of drought, economic uncertainty or other circumstances. Please refer to Section 5.3.2 above regarding the potential implications of SunRice's dual class share structure and the differential voting rights attached to B Class Shares, which distinguish SunRice from the majority of other ASX listed entities and may restrict some investors from purchasing or holding B Class Shares.



#### **5.3.4 Estate and succession planning flexibility**

Currently B Class Shares can only be held by existing Shareholders, their “Approved Entities”, employees and Non-Grower Directors (under the Employee Share Plan) and executors of estates. Accordingly, business rearrangements, succession planning and retirement planning can be problematic. Common examples of problems include the inability to transfer to the beneficiaries of estates, transfers between family farm businesses, and the inability to transfer B Class Shares from a company to a superannuation fund, unless they are already existing Shareholders. Under the ASX Proposal, B Class Shares will be freely transferable on the ASX, addressing the transfer restrictions that currently apply and outlined above. Importantly, the ASX Proposal will allow B Class Shareholders to transfer their B Class Shares to any family member or third party to implement estate or other family arrangements, without restrictions.

#### **5.3.5 Enhances potential to use B Class Shares as collateral**

The Board understands that currently B Class Shareholders are often unable to use their B Class Shares as collateral or security for loans due to the restrictive characteristics of the B Class Shares. This results from the lack of an open market for B Class Shares on the NSX.

The Board is of the view that the removal of the restriction on who can hold B Class Shares and their listing on the ASX, will mean B Class Shares will be better recognised by lending institutions as security or collateral for loans and other financial accommodation.

#### **5.3.6 No adverse Australian income tax implications**

SunRice has received advice that there are no adverse Australian income tax implications anticipated for B Class Shareholders in relation to the implementation of the ASX Proposal. Tax implications for Shareholders will depend on each Shareholder’s particular circumstances. Shareholders should obtain their own tax advice prior to voting for certainty.

### **5.4 Disadvantages for B Class Shareholders**

#### **5.4.1 Potential for greater volatility in the market price of B Class Shares**

The expected increase in liquidity in the ASX trading of B Class Shares (see Section 5.3.2), may result in the price of B Class Shares being more volatile than the trading price on the NSX. Like other stocks on the ASX, the trading price for B Class Shares will be impacted by the performance of SunRice and broader market movements and is likely to rise and fall in line with these factors.

#### **5.4.2 Potential dilution of B Class Shareholding**

After implementation of the ASX Proposal, the intention is for SunRice to issue further B Class Shares from time to time to raise additional capital to finance the SunRice 2022 Growth Strategy or other future developments. The amount and timing of such capital raising is yet to be determined. However, while SunRice will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within any 12 month period (other than where exceptions apply or with B Class Shareholder approval), if additional B Class Shares are issued, this will result in the B Class Shareholdings of existing B Class Shareholders being diluted. However, this is the case with any capital raising.

#### **5.4.3 Increased administrative and compliance expenses**

There will be additional expenses associated with greater compliance and governance being Listed on the ASX. These additional expenses are estimated to be approximately \$300,000 per annum (based on current securities issued and value per security) and will be paid by SunRice.



— 6 —  
FUTURE  
CAPITAL RAISING  
AND INVESTMENT  
PLANS





## 6.1 Future capital raisings following the ASX Listing

As outlined in Section 3, the success of SunRice's 2022 Growth Strategy is dependent on access to external equity capital.

SunRice currently has headroom for growth in its balance sheet and does not require access to new capital immediately. However, in order to enable new investors to gain exposure to and familiarity with SunRice, a small capital raising may be considered if the ASX Proposal is successful. The ultimate timing, size and method of the raising will be considered by the Board based on a range of factors, including business and market conditions.

If a capital raising were to be conducted in conjunction with or following the ASX listing, the Board intends to provide the opportunity for both existing Shareholders and new investors to participate, and funds raised would contribute to existing projects as well as new opportunities. It is important to recognise that providing new investors with the opportunity to participate in future capital raisings would assist in developing a deeper pool of liquidity for B Class Shares.

Further details of any capital raising and a disclosure document will be made available if and when the B Class Shares are offered. The disclosure document will be made available on SunRice's announcement page and on its website when the capital raising is launched. Potential investors should consider the disclosure document when deciding whether to acquire B Class Shares under the capital raising, and anyone who wants to acquire B Class Shares will need to complete the application form that will be in or accompany the disclosure document.

## 6.2 Other investment plans

SunRice currently has the following B Class Share plans in place:

- Dividend Reinvestment Plan (DRP);
- Employee Share Plan (ESP); and
- Grower Share Purchase Plan (GSPP).

These B Class Share plans will continue to be in place irrespective of the ASX Proposal. Details of any future offers of B Class Shares under these plans will be provided as and when such offers are made.

## 6.3 Process for raising capital

Following implementation of the ASX Proposal there will be three main approaches to conducting capital raisings from B Class Shareholders, namely:

- An entitlement offer (also known as a rights issue) to existing B Class Shareholders;
- A share purchase plan to existing B Class Shareholders; and/or
- A placement of B Class Shares direct to investors, which is often, but not always, combined with an issue to existing Shareholders under a share purchase plan.

Each has its own particular benefits, which the Board will consider carefully before deciding which option or any other approach it will use to raise new capital.

The Board encourages A Class Shareholders and B Class Shareholders, as well as Growers generally, to participate in future capital raising wherever possible. In formulating a capital raising, the Board will take into account prevailing market practices and the needs of SunRice and its Shareholders at the time. However, it may not always be possible to formulate a capital raising which allows all Shareholders to participate – for example, if funds are needed urgently to invest in a time-sensitive strategic initiative. If not all B Class Shareholders have an opportunity to participate in a pro-rata manner in a capital raising, they may be diluted.

## 6.4 SunRice's dual class share structure

SunRice's dual class share structure and the differential voting rights attached to B Class Shares distinguishes SunRice from the majority of other ASX listed entities (which generally have a single share class with one vote per share). It is possible that some investors may be restricted (by virtue of their investment mandates or otherwise) from purchasing or holding SunRice B Class Shares. It is also possible that investors may choose not to purchase or hold SunRice B Class Shares due to the dual class share structure and the limited voting rights associated with SunRice Class B Shares. This may reduce the potential pool of investors from whom SunRice can raise capital and may impact upon the trading performance of SunRice B Class Shares following the listing.



— 7 —  
**INDEPENDENT  
EXPERT'S  
CONCLUSION**





The Independent Expert has concluded that the ASX Proposal is in the best interests of the A Class Shareholders and, separately, also in the best interests of the B Class Shareholders.

The Independent Expert's Report is attached to this Explanatory Booklet as Annexure A. Shareholders are strongly encouraged to read the report in its entirety.

— 8 —  
**VOTING AND  
IMPLEMENTATION  
INFORMATION**





#### YOUR VOTE IS IMPORTANT

- a. To be implemented, the ASX Proposal must be approved by Shareholders at the Annual General Meeting and the B Class Meeting, which will take place in Jerilderie NSW on Thursday, 20 September 2018.
- b. It is not compulsory to vote on the ASX Proposal, but your Directors encourage you to do so given the significance of the outcome to SunRice's future and the implications for A and B Class Shareholders (see Section 3).
- c. The ASX Proposal will not be implemented unless each resolution is approved by the required majorities. As a result, if you are in favour of the ASX Proposal you should exercise your vote in favour of each resolution at each of the applicable Meetings. Please note, even if you do not vote or you vote against the ASX Proposal, the ASX Proposal will still take effect if the ASX Resolutions are approved by the requisite majorities.
- d. Please note enclosed with this Explanatory Booklet is a Voting Information Schedule, along with the following key documents:

**THE NOTICE OF  
ANNUAL GENERAL  
MEETING**

**THE NOTICE OF  
B CLASS  
MEETING**

**PERSONALISED  
PROXY FORMS  
FOR YOUR USE**

### 8.1 How will the ASX Proposal be implemented?

The ASX Proposal will involve various amendments to the Existing Constitution (including modifications to the rights attached to B Class Shares) and the approval of delisting of the B Class Shares from the NSX.

The ASX Proposal will require approvals by both A Class and B Class Shareholders. These approvals are set out in detail in this Section, however, in general terms the ASX Proposal will not be implemented unless a 75% majority (by votes) of each of A Class and B Class Shareholders vote in favour of it.

ASX waivers and confirmations referred to in this Section are also required to implement the ASX Proposal. All of these approvals are interdependent, meaning if one of the approvals is not obtained the ASX Proposal cannot be implemented.





## 8. VOTING AND IMPLEMENTATION INFORMATION

### 8.2 Approvals being sought

In order for the ASX Proposal to be implemented and for the Board to be able to proceed with a Listing of SunRice on the ASX, each of the resolutions in the following table (referred to as the ASX Resolutions) is required to be passed by Shareholders at the relevant Meetings (further details are contained in the table). In addition, to delist SunRice from the NSX as part of the ASX Proposal, the NSX Listing Rules require B Class Shareholder approval. Shareholders will be asked to vote on the ASX Resolutions referred to in the following table at the two Meetings in order for the ASX Proposal to be implemented:

RESOLUTIONS	DESCRIPTION	APPROVAL
<b>ANNUAL GENERAL MEETING – A CLASS SHAREHOLDERS</b>		<b>SHAREHOLDER MAJORITY REQUIRED TO PASS</b>
<b>New Constitution</b>	The Constitution contained in the document tabled at the Annual General Meeting and signed by the Chairman for the purpose of identification be approved and adopted as the Constitution of the Company in substitution for the Existing Constitution of the Company.	At least 75% of the votes cast by the A Class Shareholders must be in favour of this resolution.
<b>B Rights Variation</b>	The rights of each B Class Share be varied (so as to be as set out in the New Constitution).	At least 75% of the votes cast by the A Class Shareholders must be in favour of this resolution.
<b>B CLASS MEETING – B CLASS SHAREHOLDERS</b>		<b>SHAREHOLDER MAJORITY REQUIRED TO PASS</b>
<b>B Rights Variation</b>	The rights of each B Class Share be varied (so as to be as set out in the New Constitution).	At least 75% of the votes cast by the B Class Shareholders must be in favour of this resolution.
<b>De-listing from NSX</b>	The Directors are authorised to voluntarily withdraw the listing of SunRice from the official list of the NSX.	At least 75% of the votes cast by the B Class Shareholders must be in favour of this resolution.

The quorum for the Annual General Meeting is 10 A Class Shareholders and the quorum for the B Class Meeting is 10 B Class Shareholders, present personally or by proxy, representative or attorney.

Further details on these resolutions are set out in the Notices of Meetings enclosed with this Explanatory Booklet. As noted above, all of the approvals are interdependent. This means that if one approval is not obtained, the ASX Proposal will not be implemented.

### 8.3 ASX waivers

The ASX has given SunRice in principle confirmation that it is likely to consider SunRice's structure and operations are appropriate for the purposes of ASX Listing Rule 1.1, condition 1. That confirmation contains a condition that SunRice:

- Provides in a reasonably prominent location on SunRice's website and its annual report each year a description of SunRice's non-standard elements, being our dual class share structure, differential voting rights, shareholding limit, and the director appointment provisions in the Constitution;
- Include in each continuous disclosure announcement and CHESS and issuer-sponsored holding statement, wording that highlights the existence of these non-standard elements;
- Disclose in its sixth annual report after Listing, its tenth annual report after Listing and in every third annual report thereafter, whether SunRice has considered removing the non-standard elements from its structure and operations, and if it has decided not to remove those elements, its reasons for this; and
- Require the continuation of the 10% B Class Shareholding Limit on the B Class Shares to be specifically approved by A Class Shareholders at its tenth annual general meeting after admission to the Official List and at each third annual general meeting thereafter.





As detailed below, the ASX has also provided the following in principle confirmations and waivers to allow a Listing of SunRice with its dual class share structure. See Section 4.7 for further information on how the ASX Listing Rules (subject to the ASX waivers and confirmations) will apply to SunRice in relation to certain significant transactions.

- Confirmation that B Class Shares are considered to be SunRice's main class of securities for the purposes of the Listing Rules;
- Confirmation that A Class Shares are approved as an additional class of ordinary securities for the purposes of Listing Rule 6.2 (One class of ordinary securities);
- Confirmation that approvals sought under the following rules need only be approved by B Class Shareholders:
  - (Rights and obligations that apply only to options)  
Listing Rules 6.20.3 (Participation in new issues of underlying securities), 6.22.2A (Change of option's exercise price or the number of underlying securities) and 6.23 (Other changes in terms of options);
  - (New issues)  
Listing Rules 7.1 (Issues exceeding 15% of capital), 7.1A (Additional placement capacity for eligible entities), 7.2 (Exceptions to rule 7.1 and rule 7.1A), 7.4 (Subsequent approval of an issue of securities), 7.6 (No issue without approval before a meeting to appoint directors) and 7.9 (Issues during a takeover offer or takeover announcement);
  - (Reorganisations of capital)  
Listing Rules 7.21 (Reorganisation of convertible securities (except options)), 7.22.6 (Reorganisation of options) and 7.26 (Cancelling forfeited shares by a limited liability company); and
  - Listing Rule 10.14 (Approval required to acquire securities under an employee incentive scheme);
- Confirmation that approvals sought under Listing Rules 10.17 (Payments to directors) and 10.19 (Termination benefits) need only be approved by A Class Shareholders;
- Confirmation that approvals sought under the following rules need to be approved by A Class Shareholders and B Class Shareholders:
  - (Acquisition and disposal of assets)  
Listing Rules 10.1 (Approval required for certain acquisitions or disposals), 10.5 (Approval before getting an option), 10.6 (Approval before exercising an option) and 10.9 (Corrective action);
  - (Acquisition of securities in the entity)  
Listing Rule 10.11 (Approval required for an issue of securities); and
  - (Significant transactions)  
Listing Rules 11.1 (Proposed change to nature or scale of activities), 11.2 (Change involving main undertaking) and 11.4 (No disposal of major asset without offer, or approval for no offer);
- Confirmation that at any meeting required under the Listing Rules where the approval of A Class Shareholders and B Class Shareholders are required, separate class meetings are to be held and the resolution is only treated as passed if it is passed at each class meeting;
- A waiver from Listing Rule 6.9 (Voting rights on a poll) to the extent necessary to permit:
  - B Class Shareholders to be not entitled to one vote per security in relation to resolutions where the B Class Shares have no entitlement to vote; and
  - A Class Shareholders to have one vote per Shareholder on resolutions at which they are entitled to vote;
- A waiver from Listing Rules 6.8 (Voting rights on a show of hands) and 6.9 (Voting rights on a poll) to the extent necessary to permit SunRice to suspend or vary the voting rights of any person or their associates who breach the A Class or B Class shareholding limit provisions (Shareholding Limits);
- Confirmation that the Shareholding Limits and associated enforcement mechanisms in the Constitution are appropriate and equitable for the purposes of Listing Rule 6.10.5 (Removing or changing voting rights and dividend rights), subject to certain conditions;
- Confirmation that the divestment provisions in the Constitution that enable SunRice to divest Shareholders that breach the Shareholding Limit are appropriate and equitable for the purposes of Listing Rule 6.12.3 (Divestment of equity securities), subject to certain conditions;
- A waiver from Listing Rule 6.13 (Right to a lien on equity securities) to the extent necessary to permit SunRice to hold a lien over the B Class Shares of a holder who has received a dividend or distribution to which they are not entitled because of the breach of the 10% B Class Shareholding Limit;
- A waiver from Listing Rules 7.1 (Issues exceeding 15% of capital) and 10.11 (Approval required for an issue of securities) to the extent necessary to permit A Class Shares to be issued without Shareholder approval;



## 8. VOTING AND IMPLEMENTATION INFORMATION

### CONTINUED

- A waiver from Listing Rule 7.26.1 (Cancelling forfeited shares by a limited liability company) to permit the cancellation of forfeited A Class Shares in accordance with the Constitution without Shareholder approval;
- A waiver from Listing Rule 8.11 (No interference etc with transfer of securities) to the extent necessary to permit SunRice to require information to be provided to it prior to registering a paper-based transfer of B Class Shares in order to ensure the transfer complies with the Constitution;
- A waiver from Listing Rule 10.1 (Approval required for certain acquisitions or disposals) to the extent necessary to permit SunRice to acquire Paddy from related parties in accordance with SunRice's Paddy Pricing Policy, without Shareholder approval, on certain conditions including that Paddy is acquired from related party growers on identical terms as Paddy acquired from arm's length growers;
- A waiver from Listing Rule 10.11 (Approval required for an issue of securities) to the extent necessary to permit SunRice to issue B Class Shares to related parties under the Grower Share Purchase Plan, without obtaining Shareholder approval, on certain conditions including that B Class Shareholder approval is sought every third year for the issue of B Class Shares to related parties pursuant to the GSPP; and
- A waiver from Listing Rules 14.4 and 14.5 (Election of directors – rotation) to the extent necessary to give effect to the director appointment provisions in the Constitution.

SunRice has also sought a waiver from ASX Listing Rule 10.14 to the extent necessary to permit its Chief Executive Officer, Rob Gordon, to acquire up to 507,932 B Class Shares without shareholder approval, subject to vesting of B Class Share rights which is dependent on the achievement of the relevant performance hurdles for the FY19-FY21 LTI Plan<sup>12</sup>. This waiver is being sought on the basis that the Share rights have been granted by SunRice prior to its listing on the ASX and the terms of the Share Rights will be disclosed in SunRice's listing documents.

### 8.4 Voting information

#### 8.4.1 Entitlement to vote

You will be entitled to vote at the Annual General Meeting if you are registered as an A Class Shareholder on the Share Register as at 7.00pm (Local Time) on Tuesday, 18 September 2018.

You will be entitled to vote at the B Class Meeting if you are registered as a B Class Shareholder on the Share Register as at 7.00pm (Local Time) on Tuesday, 18 September 2018.

#### 8.4.2 How to vote

Please note detailed information on how to vote can be found in the SunRice Notices of Meeting Voting Information Schedule, which accompanies the Explanatory Booklet. This information includes details on how to lodge your vote in person; by proxy; by attorney; by corporate representative, as well as lodgment and other relevant details. A copy of this information is also available online at [www.sunrice.com.au](http://www.sunrice.com.au).

#### 8.4.3 Arrangements to vote jointly held Shares

If you hold Shares jointly with another person, you will be entitled to vote. However, if you and the other person with whom you jointly own Shares both vote, only the vote of the Shareholder whose name appears first in the Share Register will be counted to the exclusion of the other Shareholder who has voted. All joint holders of Shares are entitled to attend the relevant Meetings.

#### 8.4.4 Meetings outcomes

The results of the voting on the ASX Proposal will be available shortly after the conclusion of the Meetings and will be announced to the NSX once available. The results will also be published on SunRice's website ([www.sunrice.com.au](http://www.sunrice.com.au)) as soon as is practical after the Meetings.

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<sup>12</sup> Due to the current lack of B Class Shares available for purchase on the NSX to satisfy the requirements of the LTI Plan, 507,932 B Class Shares will be issued by the Company to the Riceworkers Employee Share Trust. These B Class Shares will remain unallocated in the Trust until the outcome of the FY19-FY21 LTI performance period is known. In the event that the performance hurdles are not met and the CEO's B Class Share rights do not vest, these B Class Shares will be recycled for use in future equivalent LTI Plans.



## 8.5 Next steps

### 8.5.1 Process if the ASX Proposal is approved

If the ASX Proposal is approved, the next key events are as follows (however, Shareholders are not required to take any further action). Should SunRice proceed to list and B Class Shares be quoted on the ASX, the ticker for the Shares will be SGL.

ACTION	DATE
De-listing of SunRice and B Class Shares from the NSX	Before 31 December 2018
Listing of SunRice and quotation of B Class Shares on the ASX	Before 31 December 2018
Effective date of the New Constitution	The same day as SunRice is listed on the ASX

*\* All dates and times are indicative only. SunRice reserves the right to vary these dates and times. SunRice will make an announcement to NSX of any changes if they occur.*

### 8.5.2 Process if the ASX Proposal is not approved

All of the approvals for the ASX Proposal are inter-conditional. That means if one approval is not obtained (whether that is A Class or B Class Shareholder approvals at the relevant Meetings), the ASX Proposal will not proceed. If the ASX Proposal does not proceed, the rights attaching to the B Class Shares will not change and SunRice's B Class Shares will remain listed on the NSX.

Before the date of the Meetings, SunRice estimates that it will have incurred or committed transaction costs of approximately \$3 million in relation to this ASX Proposal.

For further information about potential implications if the ASX Proposal is not implemented, see Section 3.6.

— 9 —  
GLOSSARY





**A Class Grower Shareholder Control** means the sole right of A Class Shareholders to vote at general meetings of SunRice, which gives them the right to elect Directors and approve any changes to the Constitution, and Control has the same meaning.

**A Class Share** means an A Class Share in SunRice.

**A Class Shareholder** or **A Class Grower Shareholder** means a holder of an A Class Share.

**A Class Shareholding Limit** means the shareholding limit on A Class Shares under the Constitution (being five (5) A Class Shares).

**Active Grower** means any person who has supplied paddy rice (being the product of that grower and not acquired for delivery) to SunRice on or before a particular date (a "Test Date"):

- where the Test Date is on or before 30 June 2016, the paddy rice so supplied is one (1) tonne in the two-year delivery period before that Test Date; and
- where the Test Date is after 30 June 2016, the paddy rice so supplied is two hundred (200) tonnes in the two-year delivery period before that Test Date.

For the purpose of this definition, a delivery period is the period from and including 1 July in a year up to and including 30 June in the following year.

**Annexure** means an annexure to this Explanatory Booklet.

**Annual General Meeting** means the annual general meeting of SunRice to be held on 20 September 2018 (or any adjournment of that meeting), the notice for which is enclosed with this Explanatory Booklet.

**Approved Entity** means, in relation to a Shareholder, the trustee of a superannuation fund:

- of which that Shareholder is a beneficiary; and
- that is approved by the Directors.

**Associate** has the meaning given in the Constitution.

**ASX** means ASX Limited ACN 008 624 691 or, if the context requires, the financial market operated by it.

**ASX Listing Rules** or **Listing Rules** means the listing rules of the ASX, as amended from time to time (subject to any waiver or modification by the ASX of their application to the Company).

**ASX Proposal** means the proposal described in this Explanatory Booklet, comprising the adoption of the New Constitution, the implementation of the B Rights Variation, the delisting of SunRice from the NSX and the listing of SunRice on the ASX.

**ASX Resolutions** mean the B Rights Variation Resolutions, the Delisting Resolution and the New Constitution Resolution.

**B Class Meeting** means a class meeting of the holders of B Class Shares to be held on 20 September 2018 (or any adjournment of that meeting), the notice for which is enclosed with this Explanatory Booklet.

**B Class Share** means a B Class Share in SunRice.

**B Class Shareholder** means a holder of a B Class Share.

**B Class Shareholding Limit** means the shareholding limit on B Class Shares under the Constitution (being as at the date of this Explanatory Booklet, 5%, and following implementation of the ASX Proposal, 10%).

**B Rights Variation** means a variation in rights of the B Class Shares in accordance with the terms of the B Rights Variation Resolutions.

**B Rights Variation Resolutions** means the special resolutions of:

- the A Class Shareholders at the Annual General Meeting, as set out in Resolution 9 of the Notice of Annual General Meeting; and
- the B Class Shareholders at the B Class Meeting, as set out in Resolution 1 of the Notice of B Class Meeting.

**Board** means the board of Directors of SunRice from time to time.

**Company** or **SunRice** means Ricegrowers Limited, and as the context requires, includes its subsidiaries.

**Constitution** or **SunRice Constitution** means the constitution of SunRice.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Deemed Variation Matters** means the list of deemed variation of B Class Share rights matters in Rule 5.6(b) of the New Constitution, and as described in Section 4.6 of this Explanatory Booklet.

**Delisting Resolution** means the special resolution of the B Class Shareholders at the B Class Meeting, as set out in Resolution 2 of the Notice of B Class Meeting.

**Director** means a director of SunRice.

**Employee Share Plan** means the SunRice Employee Share Plan.

**Employee Share Plan Rules** means the rules of the Employee Share Plan.

**Existing Constitution** means the Constitution as of the date of this Explanatory Booklet.

**Explanatory Booklet** means this document, including the Annexures to it.





## 9. GLOSSARY

### CONTINUED

**FMCG** means Fast Moving Consumer Goods.

**Grower** means a person who produces and supplies Paddy to SunRice.

**Grower Director** means a Director who holds or is the Representative (as that term is defined in the Constitution) of a body corporate that holds, an A Class Share.

**hold**, in the context of the A Class Shareholding Limit or the B Class Shareholding Limit, has the following meaning: a person is deemed to hold a Share if that person has a relevant interest (as that term is defined in the Corporations Act) in that Share.

**Independent Expert** or **Grant Samuel** means Grant Samuel & Associates Pty Limited ABN 28 050 036 372, which has been engaged by SunRice to give an opinion on whether the ASX Proposal is in the best interests of A Class Shareholders and, separately, B Class Shareholders.

**Independent Expert's Report** means the report prepared by the Independent Expert and set out in Annexure A.

**Local Time** means in respect of the time on a day, Australian Eastern Daylight Time or Australian Eastern Standard Time as applicable in New South Wales on that day.

**Listed** means included in the official list of the ASX and **Listing** has a corresponding meaning.

**Meetings** means the Annual General Meeting and the B Class Meeting.

**New Constitution** means the Constitution following the implementation of the ASX Proposal.

**New Constitution Resolution** means the special resolution of the A Class Shareholders at the Annual General Meeting, as set out in Resolution 8 of the Notice of Annual General Meeting.

**Non-Grower Director** means a Director other than a Grower Director.

**non-standard elements** mean the following elements of SunRice's structure: its dual class share structure, with differential voting rights, shareholding limits, and the Director appointment provisions in the Constitution.

**Notice of Annual General Meeting** means the Notice of Annual General Meeting enclosed with this Explanatory Booklet.

**Notice of B Class Meeting** means the Notice of B Class Meeting enclosed with this Explanatory Booklet

**NSX** means National Stock Exchange of Australia Limited ACN 000 902 063 or, if the context requires, the financial market operated by it.

**NSX Listing Rules** means the listing rules of the NSX, as amended from time to time.

**Paddy** means rice in the form that it is harvested, prior to any processing.

**Paddy Pricing** or **Paddy Price** means the price payable by SunRice for Paddy.

**Paddy Pricing Policy** means the SunRice Paddy Pricing Policy applicable to Riverina Rice, as formulated by the Board.

**Profit businesses** means the businesses conducted by SunRice, other than the Rice Pool business.

**Rice Pool business** means that segment of SunRice's business relating to the milling, marketing and selling of Riverina Rice.

**Riverina** means the geographic region in or around the Riverina district of New South Wales and such other rice growing areas within Australia as the Board may determine from time to time.

**Riverina Rice** means Paddy produced in the Riverina.

**RMB** or **Rice Marketing Board** means the Rice Marketing Board for the State of New South Wales.

**scheme of arrangement** refers to a court-approved arrangement between a company and its shareholders, which can (amongst other things) be used to effect a takeover of the company.

**Section** means a section of this Explanatory Booklet.

**Share** means an issued A Class Share or B Class Share.

**Share Register** means the SunRice share register.

**Share Registry** means the Company's share registry, being Link Market Services Limited ACN 083 214 537.

**Shareholders** means the A Class Shareholders and the B Class Shareholders.

**Sole and Exclusive Export Agreement** means the Sole and Exclusive Export Agreement dated 28 June 2007 between SunRice, the RMB and AGS (formerly Riviana (Australia) Pty Ltd), as amended from time to time.

**special resolution** has the meaning given in section 9 of the Corporations Act.

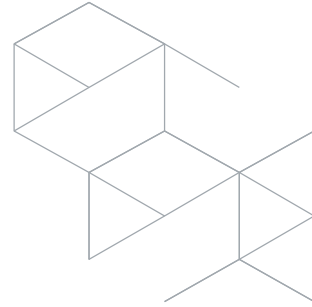
**SunRice Group** or **Group** means SunRice and its subsidiaries.

**SunRice 2022 Growth Strategy** or **2022 Growth Strategy** or **2022 Strategy** or **Growth Strategy** or **SunRice Growth Strategy** means SunRice's growth strategy as described in Section 3.1.

— ANNEXURE A —  
INDEPENDENT  
EXPERT'S REPORT







19 July 2018

The Directors  
Ricegrowers Limited  
Yanco Avenue  
Leeton NSW 2705

Dear Directors

## ASX Proposal

### 1 Introduction

Ricegrowers Limited ("SunRice") processes, markets and distributes rice and other branded food products in Australia and internationally. It is controlled by active growers<sup>1</sup> through a dual class share structure comprising:

- **A Class Shares:** which provide voting but no economic rights and can only be held by active growers; and
- **B Class Shares:** which provide economic but no voting rights (except in circumstances where their rights would be affected). B Class Shares are listed on the National Stock Exchange ("NSX")<sup>2</sup> but can only be held by A Class Shareholders, former A Class Shareholders and current and former employees/external directors.

Since its beginnings as a rice processor and marketing co-operative, SunRice has diversified its business operations and is now one of the world's largest branded rice food companies. To date, growth has been funded by internally generated cash flow, external debt and contributed equity. However, the SunRice board of directors ("the Board") considers that access to a wider pool of capital will provide increased flexibility for the business to meet its strategic priorities.

Accordingly, on 28 May 2018, the Board announced a proposal, the primary objectives of which are to improve access to capital for the SunRice businesses and provide a more liquid market for B Class Shares ("the Proposal"). The Proposal is described in detail in the Notices of Meetings and Explanatory Booklet ("Explanatory Booklet") to be sent by SunRice to its shareholders. In summary, the key elements of the Proposal are:

- the removal of ownership restrictions for B Class Shares;
- the transfer of the listing of the B Class Shares to the Australian Securities Exchange ("ASX");
- an expansion of rights for B Class Shares<sup>3</sup>; and
- an increase in the shareholding cap for B Class Shares to 10%.

The Proposal involves no fundamental change to A Class Shareholder control of SunRice.

Implementation of the Proposal requires changes to SunRice's Constitution (some which need approval of both A Class Shareholders and B Class Shareholders and others which need approval only of A Class Shareholders) and a resolution to delist from the NSX for which B Class Shareholder approval is required. Each of the resolutions is interdependent and must be passed for the Proposal to be implemented.

<sup>1</sup> Under SunRice's Constitution, an active grower means a person who has supplied 200 tonnes of paddy rice (being the produce of that grower and not acquired for delivery) to SunRice in the two year delivery period before the test date.

<sup>2</sup> The financial market operated by National Stock Exchange of Australia Limited, a wholly owned subsidiary of NSX Limited.

<sup>3</sup> As a result of:

- the inclusion of additional matters considered a variation of rights for B Class Shares in the Constitution; and
- differences between the ASX Listing Rules and the NSX Listing Rules.



Separately, but concurrent with the Proposal, SunRice is proposing an increase in the maximum number of directors and appointment of an additional non grower director.

Following implementation of the Proposal, SunRice currently intends to raise new equity capital (in the order of \$20-30 million) from existing shareholders and new investors. At the date of this report, the timing, exact size and terms of the equity capital raising have not been determined.

The directors of SunRice have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is in the best interests of A Class Shareholders and, separately, B Class Shareholders. A copy of the report (including this letter) will accompany the Explanatory Booklet to be sent to shareholders by SunRice. This letter contains a summary of Grant Samuel's opinion and main conclusions.

## 2 Background and Rationale

SunRice has evolved to be one of the world's largest rice food companies while remaining controlled by active Riverina rice growers.

For 55 years, SunRice was funded by a grower co-operative capital base that was redeemable in nature. Corporatisation in December 2005 secured a more stable capital base and facilitated share trading between shareholders while retaining active grower control. Subsequently, notwithstanding drought related downturns in the Riverina rice crop, SunRice has grown strongly with improved returns for both classes of shareholder. Growth has been funded primarily by profit retention, improved working capital management, external borrowings and the issue of B Class Shares to existing shareholders, employees and eligible growers.

Having transitioned its business model to that of a market driven food company, SunRice's current business strategy ("*2022 Growth Strategy*") involves a step up in investment to take advantage of a range of existing and anticipated business opportunities and to accelerate growth for the benefit of both shareholder classes. SunRice has estimated that to implement its strategy in full, investment (in excess of stay in business capital expenditure) in the order of \$200-300 million is required over the next five years. This exceeds the total capital invested over the last five years (around \$135 million) and the amount that SunRice estimates could be raised from existing capital sources without unduly increasing business risk. In this regard:

- due to fluctuating farming conditions, B Class Shareholders have not been a strong source of new capital;
- SunRice's capacity to raise debt is constrained by its relatively small equity base (albeit it currently has around \$140 million of undrawn bank facilities);
- working capital management and sale of assets are limited future sources of capital; and
- the NSX listing does not provide access to a meaningful pool of capital.

In the absence of the Proposal, SunRice's existing capital structure will hamper implementation of its *2022 Growth Strategy* and, due to reduced funding flexibility, place it at a competitive disadvantage to its commercial peers. Accordingly, access to equity capital markets is viewed as important in enabling SunRice to leverage its market position and optimise returns for all shareholders.

The corporate structure review undertaken between 2012 and 2015 culminated in a restructure proposal which, while maintaining active grower control of SunRice, opened up investment (albeit indirectly) in the Profit Businesses to the wider investment community. While that restructure was deferred, the rationale for it remains and is now even more clearly defined. While the details of the Proposal differ to that announced in late 2015, its objectives are consistent:

- to provide access to another potential pool of capital to better equip SunRice to fund growth for the benefit of both shareholder classes;
- to enhance the liquidity and value of B Class Shares; and
- to ensure continuation of active grower control of SunRice.



### 3 Opinion for A Class Shareholders

For A Class Shareholders, SunRice's primary objective is optimising the paddy price. Having grown the paddy price over recent years, a range of initiatives to further enhance it have been identified in the *2022 Growth Strategy*. On the basis the Proposal will improve the financial capacity and flexibility of SunRice and support this strategy, A Class Shareholders should (subject to market/farm conditions and SunRice operating performance) benefit from:

- improved paddy prices (primarily through further "premiumisation");
- reduced calls to fund growth initiatives (in their capacity as B Class Shareholders) by SunRice accessing non grower funds to expand the business; and
- increased dividends and capital appreciation (in relation to their investment in B Class Shares).

Moreover, implementation of the Proposal does not change A Class Shareholder voting control of SunRice and Grower Director<sup>4</sup> Board majority and, therefore, SunRice will remain an active grower controlled entity.

However, the Proposal allows for external investors into the SunRice capital structure creating the potential for greater divergence in the interests of the two shareholder classes with the risk that, in the future, B Class Shareholders will agitate for changes in SunRice's operating structure (e.g. increased voting rights, changes to Board structure, removal of shareholding cap). Nevertheless, at least in relation to matters requiring constitutional change (including a change of control transaction), A Class Shareholders have an effective veto and, therefore, change will not occur if A Class Shareholders do not consider it to be their best interests.

Accordingly, in Grant Samuel's opinion, the Proposal is in the best interests of A Class Shareholders.

### 4 Opinion for B Class Shareholders

The primary benefits of the Proposal for B Class Shareholders are that it:

- supports the future growth of SunRice's Profit Businesses (including implementation of the *2022 Growth Strategy*), and therefore returns to B Class Shareholders, by providing access to another potential pool of capital (the ASX);
- improves the financial capacity and flexibility of SunRice;
- provides the potential for the market liquidity of B Class Shares to be enhanced. In particular, it enables the shares to be freely traded between the full range of investors on the ASX (Australia's primary stock exchange);
- should lead to material improvement in the market price of B Class Shares. While a "kick up" on transfer to the ASX could be expected (over and above the 55% increase that has already occurred post announcement of the Proposal), the full rerating is only likely to emerge over time depending on increased market liquidity and SunRice operating performance; and
- provides increased protections for the economic interests of B Class Shareholders by way of additional shareholder rights.

There are some disadvantages, costs and risks but they are outweighed by the benefits. The more significant of these are:

- the risk of poor execution of SunRice's expansion programme; and
- uncertainty that market liquidity for B Class Shares will increase materially (or may take an extended period to develop).

Grant Samuel's judgement is that B Class Shareholders will be better off if the Proposal is implemented than if it is not. Accordingly, in Grant Samuel's opinion, the Proposal is in the best interests of B Class Shareholders.

<sup>4</sup> SunRice directors that hold an A Class Share.





## 5 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual SunRice shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Booklet issued by SunRice in relation to the Proposal.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Proposal, the responsibility for which lies with the directors of SunRice. In any event, the decision whether to vote for or against the Proposal is a matter for individual shareholders, based on their own views as to value and business strategy, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy and portfolio structure. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in SunRice. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

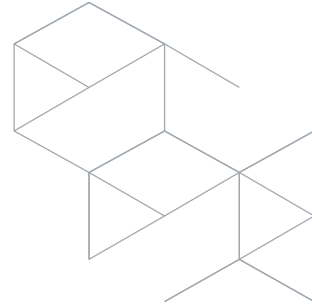
*Grant Samuel & Associates*



FINANCIAL SERVICES GUIDE  
AND  
INDEPENDENT EXPERT'S REPORT  
IN RELATION TO THE ASX PROPOSAL

GRANT SAMUEL & ASSOCIATES PTY LIMITED  
ABN 28 050 036 372

19 JULY 2018



## FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Ricegrowers Limited ("SunRice") in relation to a proposal to remove the ownership restrictions for its B Class Shares and transfer their listing from the National Stock Exchange to the Australian Securities Exchange ("the SunRice Report"), Grant Samuel will receive a fixed fee of \$185,000 (inclusive of the \$100,000 fixed fee received for the preparation of the Board Report) plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 5.4 of the SunRice Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the SunRice Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 5.4 of the SunRice Report:

*"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with SunRice or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.*

*Grant Samuel advises that it commenced analysis for the purposes of this report in April 2018 prior to the announcement of the Proposal and prepared the Board Report for which it received a fixed fee of \$100,000. This work did not involve Grant Samuel participating in the formulation of the Proposal. Its only role has been the preparation of this report and the Board Report.*

*Grant Samuel will receive a fixed fee of \$185,000 (inclusive of the \$100,000 fixed fee received for the preparation of the Board Report) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of this report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*

*Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the SunRice Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the SunRice Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.



## TABLE OF CONTENTS

1	Introduction	1
2	Scope of the Report	2
2.1	Purpose of the Report	2
2.2	Basis of Evaluation	2
2.3	Sources of the Information	3
2.4	Limitations and Reliance on Information	3
3	Profile of SunRice	5
3.1	Background	5
3.2	Business Operations	5
3.3	Strategy	7
3.4	Operating Structure	7
3.5	Financial Performance	10
3.6	Financial Position	11
3.7	Other Financial Items	13
3.8	Capital Structure, Board and Ownership	13
3.9	Share Price Performance	16
4	Evaluation of the Proposal	18
4.1	Background and Rationale	18
4.2	Impact of Proposal	19
4.3	B Class Shareholders	23
4.4	A Class Shareholders	34
4.5	Other Considerations	36
5	Qualifications, Declarations and Consents	41
5.1	Qualifications	41
5.2	Disclaimers	41
5.3	Board Report	41
5.4	Independence	42
5.5	Declarations	42
5.6	Consents	42
5.7	Other	42

## 1 Introduction

Ricegrowers Limited (“SunRice”) processes, markets and distributes rice and other branded food products in Australia and internationally. It is controlled by active growers<sup>1</sup> through a dual class share structure comprising:

- **A Class Shares:** which provide voting but no economic rights and can only be held by active growers; and
- **B Class Shares:** which provide economic but no voting rights (except in circumstances where their rights would be affected). B Class Shares are listed on the National Stock Exchange (“NSX”)<sup>2</sup> but can only be held by A Class Shareholders, former A Class Shareholders and current and former employees/external directors.

Since its beginnings as a rice processor and marketing co-operative, SunRice has diversified its business operations and is now one of the world’s largest branded rice food companies. To date, growth has been funded by internally generated cash flow, external debt and contributed equity. However, the SunRice board of directors (“the Board”) considers that access to a wider pool of capital will provide increased flexibility for the business to meet its strategic priorities.

Accordingly, on 28 May 2018, the Board announced a proposal, the primary objectives of which are to improve access to capital for the SunRice businesses and provide a more liquid market for B Class Shares (“the Proposal”). The Proposal is described in detail in the Notices of Meetings and Explanatory Booklet (“Explanatory Booklet”) to be sent by SunRice to its shareholders. In summary, the key elements of the Proposal are:

- the removal of ownership restrictions for B Class Shares;
- the transfer of the listing of the B Class Shares to the Australian Securities Exchange (“ASX”);
- an expansion of rights for B Class Shares<sup>3</sup>; and
- an increase in the shareholding cap for B Class Shares to 10%.

The Proposal involves no fundamental change to A Class Shareholder control of SunRice.

Implementation of the Proposal requires changes to SunRice’s Constitution (some which need approval of both A Class Shareholders and B Class Shareholders and others which need approval only of A Class Shareholders) and a resolution to delist from the NSX for which B Class Shareholder approval is required. Each of the resolutions is interdependent and must be passed for the Proposal to be implemented.

Separately, but concurrent with the Proposal, SunRice is proposing an increase in the maximum number of directors and appointment of an additional non grower director.

Following implementation of the Proposal, SunRice currently intends to raise new equity capital (in the order of \$20-30 million) from existing shareholders and new investors. At the date of this report, the timing, exact size and terms of the equity capital raising have not been determined.

<sup>1</sup> Under SunRice’s Constitution, an active grower means a person who has supplied 200 tonnes of paddy rice (being the produce of that grower and not acquired for delivery) to SunRice in the two year delivery period before the test date.

<sup>2</sup> The financial market operated by National Stock Exchange of Australia Limited, a wholly owned subsidiary of NSX Limited.

<sup>3</sup> As a result of:

- the inclusion of additional matters considered a variation of rights for B Class Shares in the Constitution; and
- differences between the ASX Listing Rules and the NSX Listing Rules.





## 2 Scope of the Report

### 2.1 Purpose of the Report

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act, 2001 ("Corporations Act") or the NSX Listing Rules, the Board has engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out its opinion as to whether the Proposal is in the best interests of A Class Shareholders and, separately, B Class Shareholders and to state reasons for those opinions. A copy of this report is to accompany the Explanatory Booklet to be sent to shareholders by SunRice.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual SunRice shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Booklet issued by SunRice in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders based on their own views as to value and business strategy, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy and portfolio structure. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in SunRice. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

### 2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports.

RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders.

For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. If the advantages outweigh the disadvantages, the proposal would be in the best interests of shareholders.

The Proposal is not a control transaction. Accordingly, Grant Samuel has evaluated the Proposal by assessing the overall impact on each class of SunRice shareholder and formed a judgement as to whether the expected advantages and benefits outweigh any disadvantages, costs and risks that might result. By definition, if the advantages outweigh the disadvantages, shareholders are likely to be better off if the Proposal is implemented than if it is not.

In forming its opinion as to whether the Proposal is in the best interests of A Class shareholders and, separately, B Class Shareholders, Grant Samuel has considered the following:



- the strategic rationale for the Proposal;
- the terms of the Proposal and their impact on each class of shareholder;
- the impact on ownership and control of SunRice;
- the likely impact on the market price and liquidity of SunRice's B Class Shares;
- the likelihood of alternative transactions and the likely consequences if the Proposal did not proceed;
- the advantages and benefits arising from the Proposal; and
- the disadvantages, costs and risks of the Proposal.

### 2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

#### Publicly Available Information

- the Explanatory Booklet (including earlier drafts);
- annual reports of SunRice for the seven years ended 30 April 2018;
- press releases, public announcements, media presentation material and other public filings by SunRice including information available on its website; and
- sharemarket data and related financial and other information on Australian and New Zealand listed companies engaged in the agribusiness sector and international companies involved in the rice industry.

#### Non Public Information provided by SunRice

- a summary of the budget for SunRice for the year ending 30 April 2019 prepared by SunRice management; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of SunRice and its advisers.

### 2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by SunRice and its advisers. Grant Samuel has considered and relied upon this information. SunRice has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is in the best interests of A Class shareholders and, separately, B Class Shareholders. However,



Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or “due diligence” investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of SunRice. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included a summary of the budget for SunRice for the year ending 30 April 2019 (“FY19<sup>4</sup> Budget”) prepared by management and adopted by the Board. SunRice is responsible for the FY19 Budget. Grant Samuel has not investigated the FY19 Budget in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions but considers that there are reasonable grounds to believe that the FY19 Budget has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken into account that SunRice has sophisticated management and financial reporting processes. Grant Samuel has no reason to believe that the FY19 Budget reflects any material bias, either positive or negative. In any event, Grant Samuel has had regard to the FY19 Budget in undertaking its analysis but has not relied upon it in forming its opinion. Given the nature of the transaction, the forward looking information is not the fundamental basis for assessing the Proposal. Rather, other factors such as strategic and sharemarket trading implications of the Proposal for SunRice and its shareholders are more important.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by SunRice and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Proposal are accurate and complete;
- the information provided by SunRice is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with the terms advised by SunRice and its advisers; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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<sup>4</sup> FYXX = year end 30 April 20XX (i.e. FY19 is the year ending 30 April 2019).

### 3 Profile of SunRice

#### 3.1 Background

SunRice was established in 1950 as a grower co-operative in the Riverina region in south western New South Wales with the primary objective of receiving, processing and marketing rice supplied by its members. Over time, SunRice's activities expanded to include branded packaged rice and the manufacture of value added rice food products for both domestic and international markets.

To establish a permanent capital base to facilitate business growth, SunRice converted into a company under the Corporations Act, 2001 ("Corporations Act") in December 2005. At that time, to ensure active grower control, SunRice's dual class share structure was created. In June 2007, SunRice listed its B Class Shares on the NSX to provide a share trading facility for its members.

In October 2010, SunRice received an unsolicited offer from Spanish company Ebro Foods S.A. ("Ebro") to acquire all of its issued shares. This offer was made at a time when SunRice was under significant financial pressure following a long period of drought (covering the 2003-2010 crops), a situation exacerbated by tight credit markets and difficulties raising equity under its capital structure. The Board engaged with Ebro but in May 2011 the recommended acquisition proposal was not approved by shareholders.

During 2012, SunRice commenced a review of its governance and capital structure to ensure that it was well positioned for the future and to meet the needs of shareholders. This review culminated in the March 2015 announcement of a potential new capital structure, the key features of which were:

- no change to A Class Shareholder control of SunRice;
- the creation of the SunRice Fund which was to be listed on the ASX; and
- the issue of securities in the SunRice Fund to B Class Shareholders in exchange for their B Class Shares, on a one for one basis. These securities would have the same economic rights as B Class Shares but be able to be held by investors generally and have voting rights (albeit only in relation to the SunRice Fund).

SunRice engaged with shareholders during November 2015 with the intention of holding shareholder votes in March 2016. The shareholder meetings were delayed in January 2016 and suspended in May 2016 for reasons including issues related to a joint venture partner and instability in the Papua New Guinea operating environment.

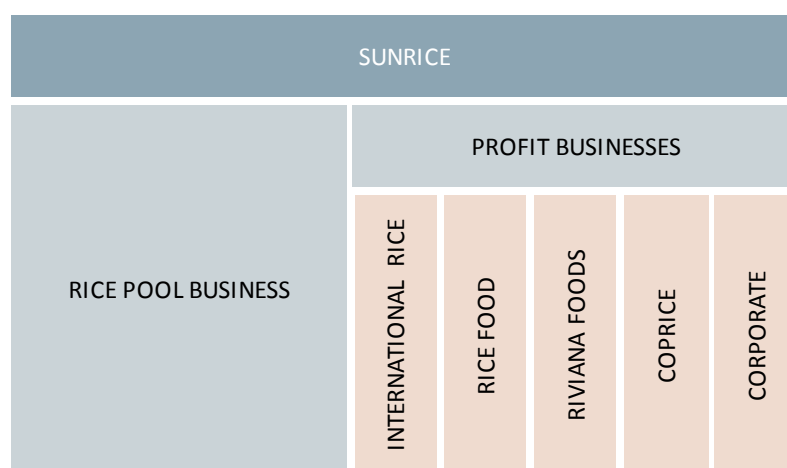
Today, while remaining focussed on the milling, marketing and distribution of Riverina rice, SunRice is one of the world's largest rice food companies and one of Australia's largest branded food exporters. It has around 2,200 employees across operations in Australia, Papua New Guinea, Solomon Islands, Vietnam, Jordan, Dubai, the United States and Singapore. SunRice currently has a market capitalisation of around \$350 million<sup>5</sup>.

#### 3.2 Business Operations

Rice growing in Australia is concentrated in the Riverina with the size of the annual crop primarily dependent on the amount of water available to irrigators. The New South Wales rice industry is regulated under the Rice Marketing Act, 1983 which vests all rice grown in the Rice Marketing Board for the State of New South Wales ("Rice Marketing Board") (the objective of which is obtain the best possible monetary return for rice growers while maintaining an orderly marketing system). The Rice Marketing Board has appointed 11 parties (including SunRice) as Authorised Buyers of rice for domestic sale and entered into a Sole and Exclusive Export Agreement with SunRice (currently for a period to June 2022, subject to extension from the next review in 2020).

As an authorised buyer and the sole exporter of New South Wales rice, SunRice's business is closely aligned with the New South Wales rice industry. However, over time SunRice has vertically integrated and developed a portfolio of complementary profit generating businesses with the objective of maximising returns for its shareholders. SunRice's business operations can be depicted as follows:

<sup>5</sup> Prior to announcement of the Proposal on 28 May 2018, SunRice's market capitalisation was around \$225 million.



Source: SunRice

A summary of each of SunRice's businesses is set out below:

- **Rice Pool Business:** which receives, mills, markets and sells rice produced in New South Wales. It receives rice from A Class Shareholders and other non shareholder growers. The rice (or paddy) pool aggregates all revenue from the sale of rice and rice by-products and deducts relevant costs. The balance of the pool for each annual crop is paid to growers as the paddy price per tonne. This business operates in accordance with SunRice's arrangements with the Rice Marketing Board and SunRice's Paddy Pricing Policy (refer Section 3.4); and
- **Profit Businesses:** comprising:
  - **International Rice:** which sources, markets and distributes rice to consumers and food service and processing customers around the world. This business:
    - sources rice from the Rice Pool Business (on arms length terms) and international supply chains; and
    - includes SunRice's locally branded subsidiaries, Trukai Industries Ltd ("Trukai") in Papua New Guinea (66.2% owned), Solrice in the Solomon Islands, Aqaba Processing Company Ltd ("Aqaba") in Jordan (80% owned) and SunFoods LLC ("SunFoods") in the United States; and
    - includes SunRice's research and development activities;
  - **Rice Food:** which produces, markets and distributes rice based products including snacks (such as rice cakes and rice chips), rice flour, microwave rice and ready-to-go-meals. This business covers branded sales, private label contract packing for commercial customers and products for foodservice channels (including military and medical institutions);
  - **Riviana Foods:** which markets, distributes and sells gourmet food products (both imported and manufactured) to the Australian grocery retail and foodservice channels and select export markets. It operates across a range of food categories (e.g. rice, olives, condiments and sauces, canned, pouch and frozen fruit and vegetables, seafood, pasta and noodles) and has an extensive portfolio of brands;
  - **CopRice:** which distributes and sells stockfeed and pet food products through retail and wholesale channels to consumers and primary producers. The business operates across the bulk and packaged markets in animal nutrition in Australia and New Zealand and some export markets; and
  - **Corporate:** which captures the income and costs associated with the assets used by the Rice Pool Business (e.g. storage sheds, rice mills), income from trademarks owned by SunRice and other income and costs not allocated to the operating businesses (such as legal and corporate activity costs).



### 3.3 Strategy

Since 2012, SunRice has pursued a strategy to expand its focus from marketing the Riverina rice crop to servicing market demand for branded rice and rice products from multiple rice supply chains (including the Riverina) with the overall objective of increasing returns to shareholders while reducing earnings volatility. This strategy has involved:

- establishing a secure and sustainable global supply platform (e.g. the recent development of a new supply chain in Vietnam);
- expanding sales of premium products and specialty rice varieties;
- building value in consumer markets by using SunRice’s internal capabilities to exploit global food trends (e.g. healthy eating and snacking) and enter high growth consumer markets; and
- diversifying earnings by accelerating the growth of its Profit Businesses.

Over the five years to 30 June 2017, despite increased global supply of medium grain rice and volatility in Riverina rice supply, the strategy has delivered increased returns to both rice growers and investors. Demand for SunRice products has increased (with anticipated FY19 demand of 1.6 million paddy tonnes) and diversification in the sources of supply has developed resilience to weather related downturns in the Riverina crop. This transformation was evident in FY17 when SunRice satisfied demand four times higher than the Riverina 2016 crop (244,000 tonnes) from its international sourcing platform (with Vietnam supplying 300,000 tonnes) while providing a \$32.5 million supplement to the Rice Pool Business and maintaining the amount of its dividend.

SunRice’s current five year strategy (“2022 Growth Strategy”) seeks to accelerate growth of its businesses by leveraging its competitive advantages to exploit global food trends. In doing so, it proposes to become more internationally focused and to:

- assist Riverina growers to focus on premium, high value rice varieties to meet increasing demand for “clean and green” healthy food products (e.g. low GI rice, rice snacks) and for sushi globally;
- maximise the paddy price by optimising market, channel and varietal mix for Riverina rice;
- utilise its global supply chain to meet increased demand by supplying lower returning markets with rice grown outside Australia;
- grow its rice snacks and ingredients activities both in Australia and offshore;
- grow and consolidate its offshore supply chain; and
- increase the scale of its CopRice and Riviana businesses.

SunRice estimates that the key initiatives that it proposes to pursue over the next five years will require investment (in excess of stay in business capital expenditure) in the order of \$200-300 million, including significant investment in production facilities both to refurbish existing plants and to extend its operations.

### 3.4 Operating Structure

SunRice’s objective is to optimise returns for both of its classes of shareholders. To this end, it is focussed on optimising:

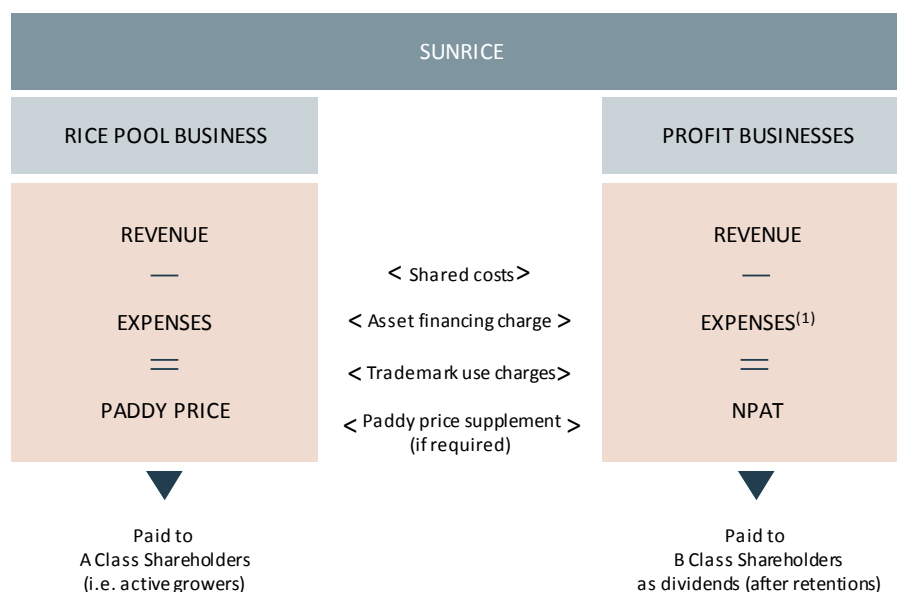
- the paddy price for A Class Shareholders (i.e. active growers); and
- capital growth and dividends for B Class Shareholders (i.e. investors).

The operating structure of SunRice has evolved to achieve these objectives and protect the interests of each shareholder class with the Rice Pool Business aligned to A Class Shareholders and the Profit Businesses aligned to B Class Shareholders (with NPAT<sup>6</sup> flowing through as dividends after capital retention).

<sup>6</sup> NPAT is net profit after tax.



While the two sides of the business are aligned to different classes of shareholder, there are mutually beneficial links and interactions between them in the normal course of business as summarised below:



SUNRICE SunRice  
Note (1) Including income tax

The interactions are governed by SunRice's Paddy Pricing Policy<sup>7</sup> which sets out how the return to Riverina growers from the Rice Pool Business is to be determined having regard to regulatory requirements, farming conditions and market conditions. The policy sets out SunRice's commitment to, and procedures for, the supply and payment for paddy, the provision of services to growers and the calculation of the return to growers (paddy price). A model paddy price calculation is attached to the document for illustrative purposes but particulars of the model are determined at the Board's discretion (except that material changes require approval of the Paddy Supply Committee<sup>8</sup>). The application of the paddy price policy is also subject to review by SunRice's external auditor.

In summary, the key elements of the paddy price policy are:

- revenue generated by the sale of Riverina rice delivered to SunRice (whether in the form of paddy, processed rice or rice by-products) which:
  - can be from both domestic and international sales;
  - is based on actual sales made (including to Profit Businesses via transfer prices set annually and externally benchmarked); and
  - may include seed sales and other revenue identified from time to time; and
- expenses incurred which comprise:
  - costs directly attributable to the Rice Pool Business including milling, packing, storage and handling, grower services, statutory fees and levies, sales and marketing costs and varietal premiums/discounts;
  - indirect costs (including general management, sales and marketing services and corporate services) which are charged to the Rice Pool Business on an appropriate allocation basis;
  - an asset financing charge to reflect that the Rice Pool Business has access to and utilises infrastructure assets (e.g. storage sheds and rice mills) that are funded by the Profit Businesses.

<sup>7</sup> Approved in April 2017 and published on the SunRice website.

<sup>8</sup> A Board committee that does not include any directors who are Grower Directors (directors who hold an A Class Share) (see Section 3.8.2).



The charge is calculated monthly based on net assets (excluding cash and core borrowings<sup>9</sup>) by reference to the cost of equity component of the weighted average cost of capital (“WACC”) calculated for SunRice. The WACC is calculated at the start of the financial year and approved by the Board;

- trademark use charges to reflect that the Rice Pool Business has access to and uses trademarks owned by the Corporate business. The charge is calculated monthly based on net sales value at rates determined by the Board with reference to the investment required in the trademark, its strength and the relevant market. A single rate has generally been adopted; and
- other expenses that may be identified from time to time.

The Paddy Pricing Policy allows the Board to modify the approach to setting the paddy price if such a change is determined to be in the best interests of SunRice as a whole. On this basis, the Board may set a fixed or minimum paddy price higher than would otherwise be determined under the policy (“a modified paddy price”) with the result that a subsidy is paid by the Profit Businesses to the Rice Pool Business (i.e. reducing the NPAT of the Profit Businesses from which dividends are paid to B Class Shareholders). If the Board intends to set a modified paddy price, it is to delegate the task to the Paddy Supply Committee but retains the discretion whether to adopt the modified paddy price.

The Board’s discretion to modify the paddy price calculation is viewed as an important mechanism in ensuring a sustainable supply of rice from the Riverina. Decisions to modify the calculation are generally made prior to, or during, the early stages of the relevant crop and are intended as a forward looking price signal to incentivise production (e.g. in periods of low water availability to minimise the impact of a contraction in the number of growers and volume of rice grown). Set out below is a summary of instances where the Board has exercised its discretion since the dual capital structure was established in December 2005 (i.e. during FY06):

**SUNRICE – PADDY PRICING SUPPLEMENTS AND RETENTIONS (FY07-FY18)**

FINANCIAL YEAR	CROP (CY)	CROP SIZE ('000 TONNES)	\$ MILLIONS				POOL PRICE <sup>10</sup> (PER TONNE)
			BASE PADDY POOL	VARIETAL PREMIUMS	SUPPLEMENT/ (RETENTION)	TOTAL PADDY RETURN	
FY07	2006	1,038	256.9	6.4	11.8	275.1	\$265
FY08	2007	167	38.6	1.1	15.1	54.8	\$328
FY09	2008	19	8.3	0.3	-	8.6	\$450
FY10	2009	66	12.5	1.0	22.8	36.3	\$550
FY11	2010	205	61.4	1.3	22.7	85.4	\$417 <sup>11</sup>
FY12	2011	800	216.1	3.9	(16.0) <sup>12</sup>	204.0	\$255
FY13	2012	963	304.7	0.9	-	305.6	\$317
FY14	2013	1,161	337.5	3.4	-	340.9	\$294
FY15	2014	829	315.7	11.4	-	327.1	\$395
FY16	2015	690	268.7	9.8	-	278.5	\$404
FY17	2016	244	64.1	4.7	32.5	101.3	\$415
FY18	2017	802	300.6	3.1	-	303.7	\$379

SOURCE: SunRice

<sup>9</sup> Seasonal debt is not excluded from net assets as a separate interest expense is charged to the Rice Pool Business for that facility.

<sup>10</sup> Reiziq became the base medium grain rice in FY13.

<sup>11</sup> During FY11 there were two pools run. Paddy price quoted is a weighted average of the two pools.

<sup>12</sup> A retention of \$20 per tonne was applied to reduce gearing and rebuild SunRice’s balance sheet after an extended period of drought during which supplements were applied to secure production.



### 3.5 Financial Performance

Historically, SunRice's earnings have fluctuated with the Riverina rice crop but the level of variability has reduced over time as SunRice has expanded into downstream processing and the sale of branded food products and become a market driven food company. The financial performance of SunRice for the six years ended 30 April 2018 is summarised below:

SUNRICE - FINANCIAL PERFORMANCE (\$ MILLIONS)

	YEAR ENDED 30 APRIL					
	2013 ACTUAL	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL
<i>Paddy supply (tonnes)</i>	963,000	1,161,104	829,000	690,272	244,184	801,714
<i>Paddy pool price medium grain (Reiziq) (per tonne)</i>	\$317	\$294	\$395	\$404	\$415	\$379
<i>(Supplements)/retentions (\$million)</i>	-	-	-	-	(32.5)	-
<b>REVENUE</b>						
Rice Pool Business	337.3	356.8	391.3	377.7	265.2	379.1
Profit Businesses	724.7	781.5	846.9	888.2	844.1	794.9
Sundry revenue	4.3	7.7	6.9	3.7	2.9	2.9
<b>Total revenue</b>	<b>1,066.3</b>	<b>1,146.0</b>	<b>1,245.1</b>	<b>1,269.6</b>	<b>1,112.2</b>	<b>1,176.9</b>
<b>EBITDA<sup>13</sup></b>	<b>93.6</b>	<b>86.1</b>	<b>105.4</b>	<b>115.1</b>	<b>70.2</b>	<b>95.4</b>
Depreciation and amortisation	(21.1)	(19.3)	(20.3)	(22.1)	(21.4)	(20.9)
<b>EBIT<sup>14</sup></b>	<b>72.5</b>	<b>66.8</b>	<b>85.1</b>	<b>93.0</b>	<b>48.8</b>	<b>74.5</b>
Net interest expense	(10.0)	(10.3)	(11.2)	(12.3)	(10.3)	(9.3)
Share of equity accounted investment profits	-	0.3	0.1	0.1	-	(0.2)
Significant and non-recurring items <sup>15</sup>	(5.2)	(2.8)	(3.3)	(7.6)	1.8	(2.2)
<b>Operating profit before tax</b>	<b>57.3</b>	<b>54.0</b>	<b>70.7</b>	<b>73.2</b>	<b>40.3</b>	<b>62.8</b>
Income tax expense	(21.5)	(20.5)	(21.5)	(21.2)	(6.1)	(17.7)
<b>Operating profit after tax</b>	<b>35.8</b>	<b>33.5</b>	<b>49.2</b>	<b>52.0</b>	<b>34.2</b>	<b>45.1</b>
Outside equity interests <sup>16</sup>	(3.5)	(3.8)	(5.7)	(2.9)	-	(2.4)
<b>NPAT attributable to SunRice shareholders</b>	<b>32.3</b>	<b>29.7</b>	<b>43.5</b>	<b>49.1</b>	<b>34.2</b>	<b>42.7</b>
<b>STATISTICS</b>						
<i>Basic earnings per B Class Share</i>	57.9¢	53.3¢	77.9¢	88.0¢	61.3¢	75.9¢
<i>Dividends per B Class Share</i>	23.0¢	23.0¢	31.0¢ <sup>17</sup>	33.0¢	33.0¢	33.0¢
<i>Dividend payout ratio</i>	40%	43%	40%	38%	54%	43%
<i>Amount of dividend franked</i>	100%	100%	100%	100%	100%	100%
<i>Total revenue growth</i>	6.7%	7.5%	8.6%	2.0%	(12.4%)	5.8%
<i>EBITDA growth</i>	(6.7%)	(7.9%)	22.2%	9.3%	(39.1%)	36.0%
<i>EBITDA margin<sup>18</sup></i>	12.9%	11.0%	12.4%	13.0%	8.3%	12.0%
<i>Adjusted EBITDA growth<sup>19</sup></i>	10.9%	(7.9%)	22.2%	9.3%	(10.8%)	(7.1%)
<i>Adjusted EBITDA margin<sup>19</sup></i>	12.9%	11.0%	12.4%	13.0%	12.2%	12.0%
<i>Interest cover<sup>20</sup></i>	7.2x	6.5x	7.6x	7.6x	4.7x	8.0x
<i>Return on capital employed<sup>21</sup></i>	13.6%	14.1%	15.8%	15.1%	10.3%	15.1%

Source: SunRice and Grant Samuel analysis

<sup>13</sup> EBITDA is earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted investments and significant and non-recurring items.

<sup>14</sup> EBIT is earnings before net interest, tax, share of profits of equity accounted investments and significant and non-recurring items.

<sup>15</sup> Significant and non-recurring items include costs associated with capital restructuring in FY13-FY16 and FY18, impairment of assets in FY13, FY15, FY17 and FY18, reversal of contingent consideration in FY17 and the settlement with the SunFoods minorities FY16-FY17.

<sup>16</sup> Outside equity interests primarily relate to Trukai, Aqaba and, prior to FY17 only, SunFoods.

<sup>17</sup> Including a special dividend of 5 cents per B Class Share.

<sup>18</sup> EBITDA margin is EBITDA divided by Profit Businesses revenue.

<sup>19</sup> For analytical purposes, Grant Samuel has adjusted EBITDA for the \$16 million retention in FY12 and the \$32.5 million supplement in FY17.

<sup>20</sup> Interest cover is EBIT divided by net interest. Interest cover decreased in FY17 due to the supplement paid to the Rice Pool Business.

<sup>21</sup> Calculated as profit before tax and interest divided by capital employed (calculated as net assets before net borrowings).





FY17 was a challenging year for SunRice with the 2016 crop around 30% of the average crop over the previous four years due to low water allocations. While Rice Pool Business revenue in FY17 decreased by around 25% compared to the average over the prior four years, the revenue of the Profit Businesses was 4% higher compared to the average (albeit 5% lower than in FY16). Notwithstanding decreased international trading due to the increased 2017 crop (801,714 tonnes), SunRice's consolidated revenue and profits improved in FY18 primarily as a result of improved operating performance by Trukai, CopRice and Riviana.

Analysis of SunRice's consolidated earnings is complicated by Rice Pool Business supplements/retentions. In this regard, \$16.0 million was retained from the Rice Pool Business in FY12<sup>22</sup> and a \$32.5 million supplement was paid to the Rice Pool Business in FY17<sup>22</sup>. If EBITDA is adjusted for these supplements/retentions<sup>19</sup>, the following should be noted in relation to SunRice's recent financial performance:

- adjusted EBITDA growth and margin in FY14 was impacted by rising operating costs, adverse foreign currency movements and a highly competitive retail landscape for Riviana and adverse currency movements for Trukai;
- in FY15 and FY16 adjusted EBITDA grew and the margin strengthened reflecting implementation of cost control and business improvement initiatives; and
- although adjusted EBITDA decreased in FY17 and again in FY18 (notwithstanding improved operating performances by a number of businesses and a \$6.6 million foreign exchange gain), adjusted EBITDA margin was relatively resilient reflecting the transformation in the business in recent years.

SunRice currently pays one dividend per year, typically in July. Its policy is to target a payout ratio of up to 50% of NPAT and to frank dividends to the extent that there are sufficient franking credits available (see Section 3.7).

### Outlook

SunRice has not publicly released earnings forecasts for the year ending 30 April 2019 or beyond but in May 2018 announced the 2018 Riverina crop was 625,000 tonnes and an estimated opening paddy pool price in the range \$355-400 per tonne (Reiziq).

## 3.6 Financial Position

The financial position of SunRice as at 30 April 2018 is summarised below:

<sup>22</sup> In October 2015, SunRice committed to a guaranteed Paddy Price of \$415 per tonne for medium grain rice (Reiziq) and up to \$655 per tonne for specialty varieties for the 2016 crop. The guaranteed price was set to encourage Riverina production in challenging circumstances.



SUNRICE - FINANCIAL POSITION (\$ MILLIONS)

	AS AT 30 APRIL 2018 ACTUAL
Debtors and prepayments	154.4
Inventories	506.8
Creditors, accruals and provisions (including Riverina growers)	(401.3)
<b>Net working capital</b>	<b>259.9</b>
Property, plant and equipment (net)	217.7
Goodwill and other intangibles (net)	9.0
Investment properties (at fair value)	1.2
28.85% interest in Pagini Transport (equity accounted)	1.5
Derivative financial instruments (net) <sup>23</sup>	(1.1)
Deferred tax assets (net)	19.9
Non current payables and provisions (including Riverina growers)	(31.5)
<b>Capital employed</b>	<b>476.6</b>
Cash and deposits	122.9
Borrowings (net of capitalised borrowing costs)	(165.4)
<b>Net borrowings</b>	<b>(42.5)</b>
<b>Net assets</b>	<b>434.1</b>
Outside equity interests <sup>24</sup>	(24.3)
<b>Equity attributable to SunRice shareholders</b>	<b>409.8</b>
<b>STATISTICS</b>	
<i>B Class Shares on issue at period end (million)</i>	56.8
<i>Net assets per B Class Share</i>	\$7.65
<i>NTA<sup>25</sup> per B Class Share</i>	\$7.49
<i>Gearing<sup>26</sup></i>	8.9%

SOURCE: SunRice and Grant Samuel analysis

SunRice's financing arrangements comprise:

- seasonal debt used to fund working capital. The size of the secured seasonal debt facility and drawings on that facility, varies depending on the time of year and size of crop. The cost of this facility is charged to the Rice Pool Business;
- core debt used to fund fixed assets and investments. The core debt facility is secured and was recently increased to \$220 million (i.e. at 30 April 2018 SunRice had core debt capacity of around \$140 million); and
- PayRice, which is an unsecured arrangement with growers. It is not classified as borrowings but is shown as amounts payable to Riverina growers.

Net borrowings at 30 April 2018 are summarised below:

<sup>23</sup> Including interest rate swaps and forward foreign exchange contracts.

<sup>24</sup> Outside equity interest are 33.77% of Trukai and 20% of Aqaba.

<sup>25</sup> NTA is net tangible assets, which is calculated as net assets less intangible assets.

<sup>26</sup> Gearing is net borrowings divided by net assets plus net borrowings.



**SUNRICE – NET BORROWINGS AT 30 APRIL 2018 (\$ MILLIONS)**

FACILITY	FACILITY SIZE	AMOUNT DRAWN
Bank overdraft	2.5	-
Seasonal bank facility (maturity April 2019)	235.0	86.0
Core bank facility (maturity April 2021 (\$120 million), April 2023 (\$100 million))	220.0	79.0
Lease liability	1.0	1.0
Net accrued interest and capitalised borrowing costs	-	(0.6)
<b>Total interest bearing liabilities</b>	<b>458.5</b>	<b>165.4</b>
Cash and short term deposits		(122.9)
<b>Net borrowings</b>		<b>42.5</b>

SunRice: SunRice

### 3.7 Other Financial Items

#### Capital Expenditure

In FY12 (following the prolonged drought covering the 2003-2010 crops) SunRice commenced reinvesting in its infrastructure and businesses. Over the five years to FY18, SunRice incurred capital expenditure totalling \$135 million (around \$27 million per annum) including both stay in business and growth expenditure.

#### Taxation

Under the Australian tax consolidation regime, SunRice and its wholly owned Australian resident entities have elected to be taxed as a single entity. SunRice has not recognised carried forward income tax losses in the United States as it does not consider it probable that future taxable income will be available to utilise the losses. At 30 April 2018, SunRice had approximately \$80 million in accumulated franking credits.

### 3.8 Capital Structure, Board and Ownership

#### 3.8.1 Capital Structure

SunRice has a dual class share structure comprising A Class Shares and B Class Shares. The terms of each share class are set out in the Constitution and are summarised below:

**SUNRICE – SUMMARY OF TERMS OF SHARE CLASSES**

	A CLASS SHARES <sup>27</sup>	B CLASS SHARES
Share type	Redeemable preference	Ordinary
Ownership restrictions	May only be issued to: <ul style="list-style-type: none"> <li>an active grower<sup>1</sup>; or</li> <li>a person the Board believes will become an active grower.</li> </ul>	May only be issued to: <ul style="list-style-type: none"> <li>an A Class Shareholder;</li> <li>an existing B Class Shareholder;</li> <li>an “approved entity” of a shareholder (i.e. a Board approved superannuation trustee);</li> <li>participants of a SunRice employee share plan;</li> <li>a person entitled to receive a payment under the RMB Capital Equity Rollover Scheme<sup>28</sup></li> </ul>
Ownership cap	One A Class Share is issued per active grower (with a cap of five A Class Shares per holder <sup>29</sup> )	A person must not hold a number of shares which, when aggregated with the B Class Shares of their associates, exceeds 5% of B Class Shares on issue

<sup>27</sup> Under the Constitution, the Board has the power to issue and redeem A Class Shares. It has published a policy dated 24 August 2016 setting out the policies and guidelines (e.g. for assessing what is an active grower) that it intends to apply in normal circumstances but reserves the right to exercise its discretionary powers in a different manner.

<sup>28</sup> The RMB Capital Equity Rollover Scheme was finalised in 2016 therefore this clause is redundant.

<sup>29</sup> There is currently one shareholder with more than one A Class Share.



	A CLASS SHARES <sup>27</sup>	B CLASS SHARES
Right to vote	<p>Yes:</p> <ul style="list-style-type: none"> <li>have the right to vote at all general meetings; and</li> <li>have the right to vote on a special resolution varying the rights of any class of share (i.e. both A Class Shares and B Class Share</li> </ul> <p>One vote per A Class Shareholder</p>	<p>No but:</p> <ul style="list-style-type: none"> <li>have the right to receive notice of, and attend all, general meetings; and</li> <li>have the right to vote on a special resolution varying the rights attaching to B Class Shares</li> </ul> <p>One vote per B Class Share<sup>30</sup></p>
Right to dividends	No	Yes
Right to transfer	No	<p>Yes but can only be transferred to:</p> <ul style="list-style-type: none"> <li>an existing SunRice shareholder;</li> <li>an “approved entity” of a shareholder (i.e. a Board approved superannuation trustee);</li> <li>a person who is a joint holder of shares and is approved by the Board;</li> <li>a persons who becomes entitled to B Class Shares upon a transmission event (e.g. death, bankruptcy or dissolution of a shareholder);</li> <li>SunRice pursuant to a B Class Share buyback</li> </ul>
Redemption	<p>The Board may redeem if:</p> <ul style="list-style-type: none"> <li>whereabouts of holder not known for a continuous period of at least two years;</li> <li>holder is not an active grower;</li> <li>holder does not hold the minimum number of B Class Shares (3,000) within three years of becoming a member; or</li> <li>holder has more than five A Class Shares.</li> </ul> <p>The Board shall redeem upon occurrence of a transmission event (e.g. death, bankruptcy or dissolution of an A Class Shareholder)</p> <p>On redemption entitled to be repaid the amount paid up per share</p>	Not applicable
Right on winding up	Entitled to be repaid the amount paid up per share in preference to other shareholders.	Entitled to participate equally in the distribution of any surplus.

Source: SunRice

The effect of these terms is that:

- A Class Shareholders have voting control of SunRice as B Class Shares have no right to vote except in relation to variations to the rights of B Class Shares<sup>31</sup>; and
- B Class Shareholders hold all the economic interests in SunRice as A Class Shares have no right to participate in any dividends or distributions (other than to be repaid the amount paid up on each share on redemption or winding up in preference to all other shareholders<sup>32</sup>).

Under the Constitution, the Board has the power to issue shares in SunRice but cannot issue shares in classes other than A Class Shares and B Class Shares without the prior approval of A Class Shareholders by special resolution passed in a general meeting. On this basis, SunRice:

- operates an employee share plan to offer employees and non grower directors an opportunity to acquire B Class Shares (“employee shareholders”). The amount, price and other conditions in relation to any offer under the plan is at the discretion of the Board. Employee shareholders:
  - are, in aggregate, limited to holding 5% of B Class Shares on issue;

<sup>30</sup> On a show of hands this represents one vote per B Class Shareholder present in person or by proxy (as for most listed companies).

<sup>31</sup> A variation to the rights of B Class Shares also requires the approval of A Class Shareholders.

<sup>32</sup> There is no paid up amount for A Class Shares.



- can only acquire B Class Shares through the employee share plan or through other subscription offers approved by the Board (i.e. they cannot purchase or otherwise acquire by way of transfer<sup>33</sup>); and
- are entitled to sell B Class Shares held by them (provided they comply with SunRice’s share trading policy) and can only transfer them to their “approved entity” (i.e. a Board approved superannuation trustee) if the trustee agrees to comply with the terms of the plan;
- operates a dividend reinvestment plan that allows B Class Shareholders to reinvest all or part of their dividends in new B Class Shares<sup>34</sup>. Currently, the issue price of shares under the plan is based on the volume weighted average price (“VWAP”) of B Class Shares traded on the NSX over a selected period subject to any discount determined by the Board; and
- may make offers to eligible growers to subscribe for new B Class Shares under a grower share purchase plan. The offer made in September 2017 was one new B Class Share for every one tonne of paddy delivered in the 2017 crop at a price equal to a 2% discount to the VWAP over the last five days on which B Class Shares were traded on the NSX prior to the date of the prospectus.

### 3.8.2 Board

Under the Constitution, the Board may comprise up to ten directors<sup>35</sup> made up in the following categories:

- up to three directors who are Elected RMB Members<sup>36</sup> and hold (or are representatives of a body corporate that hold) an A Class Share;
- up to three directors who (in the opinion of the directors) have appropriate experience to be appointed a director and are nominated for election by the directors (one such director may be an employee of SunRice); and
- up to four directors who hold (or are representatives of a body corporate that hold) an A Class Share (not counting Elected RMB Members directors) and are elected by A Class Shareholders.

The chairperson and deputy chairperson are elected by the Board from its members (although currently no deputy chairperson has been elected). A quorum is “one-half” of the number of directors<sup>37</sup> providing the number of directors which hold an A Class Share (“Grower Directors”) present must exceed the number of non grower directors present by at least one. Board resolutions are to be decided by a majority of votes cast and (except where only two directors are present or qualified to vote) the chairperson has a casting vote.

The Board currently comprises ten directors, including three Elected RMB Members directors (who each hold an A Class Share), four A Class Shareholder directors and three non grower directors (i.e. one employee director and two external directors).

Accordingly, Grower Directors comprise the majority of (and therefore control) the Board. However, under the Corporations Act and general law, each director has a duty to act in the best interests of SunRice as a whole and to consider the interests of shareholders. In circumstances where the interests of A Class Shareholders and B Class Shareholders diverge, the directors are to act fairly between the classes. Management of potential conflicts or divergence of interests is governed by SunRice’s Conflict of Interest Policy<sup>38</sup>.

<sup>33</sup> Including on the sharemarket.

<sup>34</sup> The dividend reinvestment plan was active for dividends between FY06-FY12 but was deactivated when SunRice commenced the review of its capital structure in 2012. It was reactivated for the FY17 dividend paid in July 2017.

<sup>35</sup> The minimum number of directors is three and at least two directors must ordinarily reside in Australia.

<sup>36</sup> Elected RMB Member means an elected member of the Rice Marketing Board for the State of New South Wales (including a person who is deemed by the Marketing Primary Products Act 1983 (NSW) to be an elected member of the Rice Marketing Board).

<sup>37</sup> Or where “one-half” is not a whole number, the whole number next higher than “one-half”.

<sup>38</sup> Approved in October 2016 and published on the SunRice website. This policy identifies the determination of paddy prices as a potential conflict or divergence of interests and that the Paddy Pricing Policy has been devised to ensure that paddy prices are set in a rigorous, commercially focused manner (see Section 3.4).



### 3.8.3 Ownership and Control

#### A Class Shares

SunRice has 696 A Class Shares on issue of which there are 695 registered holders. As A Class Shares are not transferrable and each active grower may hold no more than five A Class Shares, no one holder can control this share class. However, in aggregate, A Class Shareholders control SunRice by way of their voting control in general meetings and their Board majority.

#### B Class Shares

SunRice has 56,909,031 B Class Shares on issue of which there are around 2,200 registered holders. The different categories of holders of B Class Shares have been estimated by SunRice as follows:

**SUNRICE – B CLASS SHAREHOLDERS AS AT 10 JULY 2018**

TYPE	NUMBER OF SHARES	PERCENTAGE
A Class grower shareholders (i.e. A Class Shareholders)	24,808,183	43.6%
Former A Class grower shareholders	31,202,427	54.8%
Current and former employees/external directors	898,421	1.6%
<b>Total</b>	<b>56,909,031</b>	<b>100.0%</b>

Source: SunRice

B Class Shares are listed on the NSX but can only be transferred in accordance with the Constitution (i.e. shares can only be traded between existing SunRice shareholders of either class<sup>39</sup>). Due to the 5% shareholding cap, no one holder can control this share class<sup>40</sup>. The top ten holders currently account for around 16-17% of the B Class Shares on issue.

### 3.9 Share Price Performance

SunRice's B Class Shares were listed on the NSX on 18 June 2007, trading initially around \$2.50 before settling around \$1.80 on very low volumes. Over the 2008-2011 period (which encompassed the acquisition proposal from Ebro), the shares traded in the range of \$1.60-3.00, at a volume weighted average price of \$1.96. The following graph illustrates the movement in the B Class Share price and trading volumes since 1 January 2012:

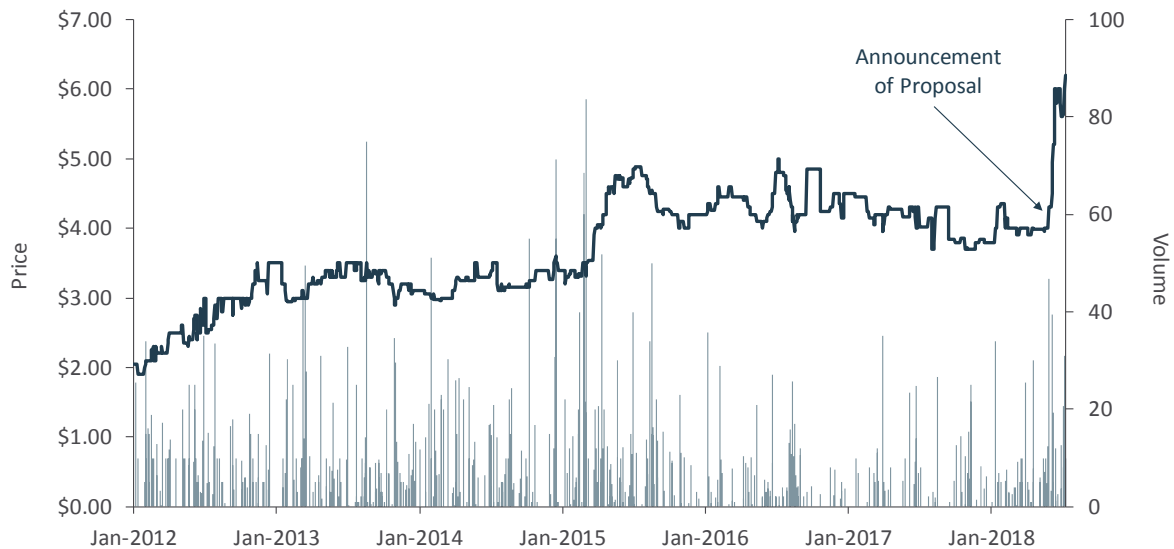
<sup>39</sup> It should be noted that:

- all A Class Shareholders will ultimately be B Class Shareholders. However, as A Class Shareholders have three years to acquire the minimum number of B Class Shares (3,000), at a point in time it is possible that not all A Class Shareholders will also be B Class Shareholders; and
- not all B Class Shareholders will be A Class Shareholders.

<sup>40</sup> Even if a holder did control a majority of B Class Shares, this would not represent control of SunRice (see Section 3.8.1).



**SUNRICE – B CLASS SHARE PRICE AND TRADING VOLUME**  
(JANUARY 2012 TO JULY 2018)



Source: IRESS

The share price rose gradually from around \$2.00 to \$3.00 in FY13 and traded around \$3.00 until early 2015. On the back of growth in revenue and earnings in the Profit Businesses, an increased paddy pool price for the 2014 crop, payment of a 5 cent special dividend in January 2015 and the announcement of a potential new capital structure in February 2015, the share price rose to around \$4.70 by mid 2015. However, the share price declined to around \$4.20 following the late July 2015 payment of the FY15 dividend (26 cents per share) and deferral of the proposed restructure in early 2016. Subsequently, SunRice shares traded broadly around \$4.50 but trended lower since August 2017.

SunRice B Class Shares last traded prior to the announcement of the Proposal at \$4.00. Following the announcement of the Proposal on 28 May 2018, the share price has jumped by 50% with most of the increase occurring after the SunRice shareholder/grower meetings were held in the period 4-6 June 2018. The last trade prior to finalisation of this report was at \$6.20 on 11 July 2018.

The market for SunRice B Class Shares is illiquid. Shares do not trade every day. From 2015 to announcement of the Proposal, there was an average of three transactions per week, average weekly volume was less than 10,000 shares and the average trade size around 4,000 shares. Since announcement, while there been some increase in average weekly volume and transactions and average trade size (around 5,000 shares), there has been limited change in underlying liquidity.

## 4 Evaluation of the Proposal

### 4.1 Background and Rationale

SunRice has evolved to be one of the world's largest rice food companies while remaining controlled by active Riverina rice growers.

For 55 years, SunRice was funded by a grower co-operative capital base that was redeemable in nature. Corporatisation in December 2005 secured a more stable capital base and facilitated share trading between shareholders while retaining active grower control. Subsequently, notwithstanding drought related downturns in the Riverina rice crop, SunRice has grown strongly with total revenue doubling over the period FY07 to FY18 to around \$1.2 billion and shareholders' funds quadrupling to around \$400 million. Importantly, over this period, SunRice improved returns to both of its shareholder classes with:

- the paddy price (medium grain rice Reiziq) growing at an average of 3% per annum to around \$380 per tonne (i.e. A Class Shareholders); and
- dividends growing from 21.5 cents to 33 cents per share and the share price broadly doubling (i.e. B Class Shareholders).

SunRice's growth has been funded primarily from:

- profit retention (which has averaged around \$23 million per annum over the last five years);
- improved management of working capital (e.g. new paddy payment arrangements such as PayRice);
- "core debt" borrowings (in recent years primarily in the form of bank loans); and
- the issue of B Class Shares to existing shareholders, employees and eligible growers and the operation of a dividend reinvestment plan (albeit shareholders have not been called on regularly in the last five years).

Having transitioned its business model to that of a market driven food company, SunRice's *2022 Growth Strategy* involves a step up in investment to take advantage of a range of existing and anticipated business opportunities and to accelerate growth for the benefit of both shareholder classes. SunRice has estimated that to implement its strategy in full, investment (in excess of stay in business capital expenditure) in the order of \$200-300 million is required over the next five years. This exceeds the total capital invested over the last five years (around \$135 million) and the amount that SunRice has estimated could be raised from existing capital sources without unduly increasing business risk. In this regard:

- due to fluctuating farming conditions, B Class Shareholders have not been a strong source of new capital;
- SunRice's capacity to raise debt is constrained by its relatively small equity base. Gearing<sup>26</sup> in the Australian agribusiness sector is generally in the range 15-30%. Since FY16 SunRice's gearing has fluctuated within that range during a financial year but is currently below the range (8.9% at 30 April 2018 with around \$140 million of undrawn bank facilities);
- having focused in recent years on improving balance sheet efficiency and identifying non-core assets, working capital management and sale of assets are limited future sources of capital; and
- the NSX listing does not provide access to a meaningful pool of capital.

In the absence of the Proposal, SunRice's existing capital structure will hamper implementation of its *2022 Growth Strategy* and, due to reduced funding flexibility, place it at a competitive disadvantage to its commercial peers. Accordingly, access to equity capital markets is viewed as important in enabling SunRice to leverage its market position and optimise returns for all shareholders.

The corporate structure review undertaken between 2012 and 2015 culminated in a restructure proposal which, while maintaining active grower control of SunRice, opened up investment (albeit indirectly) in the Profit Businesses to the wider investment community. While that restructure was deferred, the rationale for it remains and is now even more clearly defined. While the details of the Proposal differ to that announced in late 2015, its objectives are consistent:



- to provide access to another potential pool of capital to better equip SunRice to fund growth for the benefit of both shareholder classes;
- to enhance the liquidity and value of B Class Shares; and
- to ensure continuation of A Class Shareholder (i.e. active grower) control of SunRice.

## 4.2 Impact of Proposal

### 4.2.1 Sharemarket Listing and Capital Raising

If the Proposal is implemented:

- A Class Shares will remain unlisted (in any event they are not transferable); and
- the listing of the B Class Shares will be transferred from the NSX to the ASX.

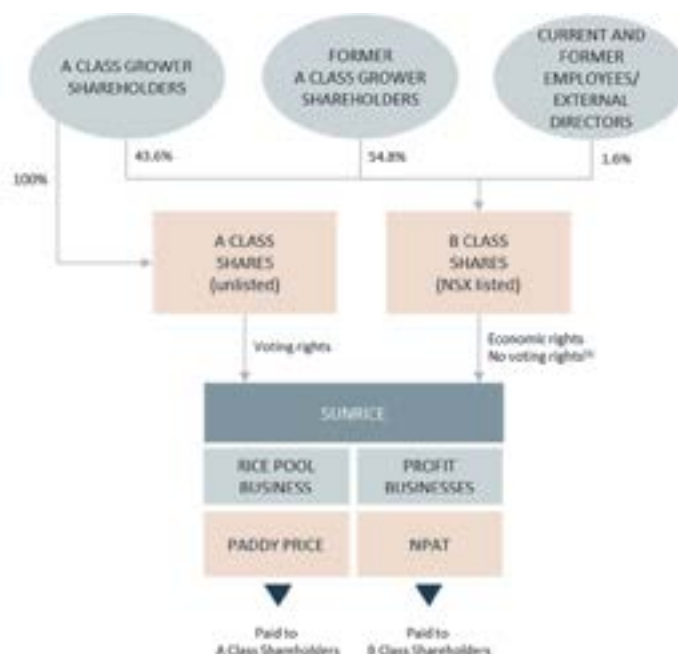
If the Proposal is approved, SunRice currently intends to raise \$20-30 million in new equity capital by way of an offer to existing and new investors (including retail, institutional and non-institutional investors). While existing B Class Shareholders may be given priority (and a share sale facility may be offered), the raising will be managed to develop diversity in the register (including a base of institutional investors) and support ongoing liquidity for B Class Shares.

Shareholder approval for the potential equity capital raising is not required. The timing, size and terms of the raising and the mix of investors that participate will not be known prior to the meetings at which shareholder approval for the Proposal will be sought.

### 4.2.2 Ownership and Operating Structure

The current and proposed ownership and operating structure of SunRice (immediately post implementation of the Proposal) are illustrated below:

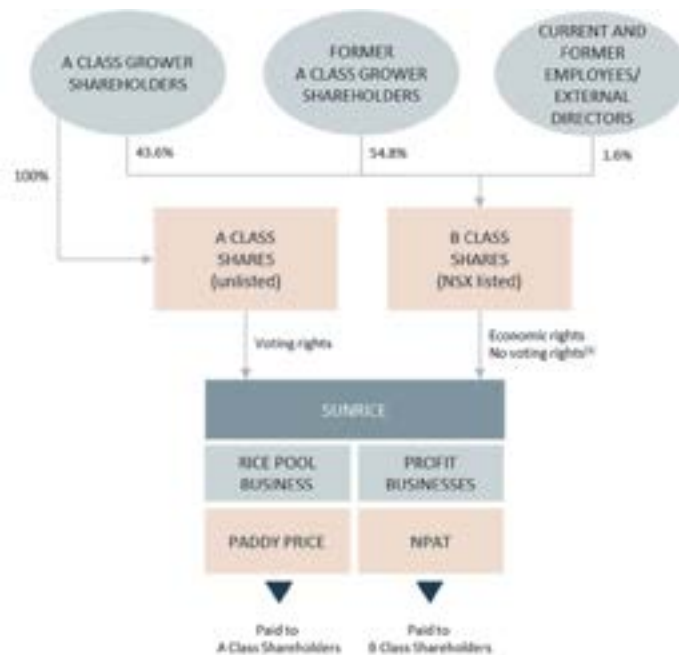
SUNRICE – CURRENT OWNERSHIP AND OPERATING STRUCTURE



Source: SunRice and Grant Samuel analysis

- Notes:
- (1) Except in relation to variation of the rights of B Class Shares.
  - (2) Percentage interests based on SunRice analysis (see Section 3.8.3).

**SUNRICE – PROPOSED OWNERSHIP AND OPERATING STRUCTURE (IMMEDIATELY POST IMPLEMENTATION)**



Source: SunRice and Grant Samuel analysis

- Notes: (1) Except in relation to variation of the rights of B Class Shares (with the range of matters deemed to be variations extended in the Constitution) and as a result of the differences between the ASX Listing Rules.  
(2) Percentage interests based on SunRice analysis (see Section 3.8.3).

Under the Proposal, there will be no change in:

- the SunRice corporate entity structure or its dual class share structure;
- A Class Shareholder (i.e. active grower) control of SunRice;
- the economic interests of B Class Shares;
- the ownership interests of the various categories of B Class Shareholders;
- the business operations or business strategy of SunRice; or
- the interactions between the Rice Pool Business and the Profit Businesses (i.e. the Paddy Pricing Policy).

However:

- the restrictions on who can own B Class Shares will be removed;
- the listing of B Class Shares will be transferred from the NSX to the ASX;
- the rights of A Class Shares will be extended to include the right to receive notice of, and attend meetings of, any other class of shareholder (but not to vote at those meetings);
- the rights for B Class Shares will be extended to specific circumstances, both under the Constitution and as a result of differences between the ASX Listing Rules and the NSX Listing Rules (see Section 4.2.3 for details). In most of these circumstances, A Class Shareholders will also separately vote on these matters (including on some matters on which they might not otherwise have been entitled to vote);
- the shareholding cap for B Class Shares will increase to 10% with A Class Shareholders to vote (50% hurdle) on continuation of the cap after ten years and every three years thereafter (albeit a change to, or removal of, the cap also requires approval of both share classes under the Constitution (75% hurdle); and
- current and former employee shareholders will be able to purchase additional B Class Shares by way of transfer (currently not permitted under the SunRice employee share plan).





Separately but concurrent with the Proposal, it is expected that the maximum number of directors will be increased to 11 with the additional director to be an external non grower director (i.e. the number of external directors will be increased from two to three). If this change is implemented, Grower Directors will continue to constitute the majority of the Board.

To the extent that new B Class Shares are issued to new shareholders if the proposed equity capital raising is undertaken following implementation of the Proposal, the aggregate interest of existing B Class Shareholders will be diluted. For example, if it is assumed that \$25 million is raised at \$4.00 (pre announcement price) from external investors only, existing ownership interests would be diluted by around 10%, albeit for value (or around 6.5% at the current price of \$6.20).

### 4.2.3 Rights of Shares

If the Proposal is implemented:

- there will be no change to the rights of A Class Shareholders (except that they will gain the right to receive notice of, and attend all meetings of, any other class of shareholder but not to vote) or the requirement to hold a minimum number of B Class Shares (3,000). However, the extension of B Class Share rights under the Proposal (see below) results in A Class Shareholders being able to separately vote on some matters upon which they would not currently be entitled to vote (e.g. transactions where a person acquires a relevant interest of more than 10% of B Class Shares, disposal of a substantial part of the business<sup>41</sup>);
- there will be a number of changes to the rights of B Class Shareholders under the Constitution as summarised below:

#### SUNRICE – IMPACT OF PROPOSAL ON CONSTITUTIONAL RIGHTS OF B CLASS SHAREHOLDERS

	BEFORE	AFTER
Ownership	May only be held by: <ul style="list-style-type: none"> <li>• active growers (A Class Shareholders)</li> <li>• former active growers; and</li> <li>• current and former employees/external directors</li> </ul>	No restriction on who can hold but A Class Shareholders still required to hold the minimum number of B Class Shares (3,000)
Ownership cap	5% of shares on issue	10% of shares on issue
Right to vote	No except in relation to variations to B Class Share rights	No except in relation to variations to B Class Shares rights which are deemed to include <sup>42</sup> : <ul style="list-style-type: none"> <li>• transactions, share transfers, restructures or amendments to the Constitution that will result in a person acquiring a relevant interest of more than 10% in the shares of any class of share in SunRice;</li> <li>• the sale or disposal of the main undertaking of SunRice or a substantial portion of the Profit Businesses;</li> <li>• a scheme of arrangement effecting a compromise or arrangement of shareholders of SunRice or any class of shareholder;</li> <li>• the issue of financial products (other than B Class Shares) that have dividend rights or the right to participate in SunRice profits;</li> </ul>

<sup>41</sup> Unless the NSX required A Class Shareholder approval.

<sup>42</sup> The extension of matters considered to be a variation of rights described includes both new rights for B Class Shares as well the conversion of previously uncertain voting rights into express voting rights.



	BEFORE	AFTER
		<ul style="list-style-type: none"> <li>a variation in the rights of A Class Shares that adversely affects the rights or economic interests of B Class Shares;</li> <li>the issue of a new class of shares or variation of the rights attaching to such a new class of shares;</li> <li>a reduction in capital or buyback of any shares (except redemption of A Class Shares or a buyback of B Class Shares permitted by the Corporations Act without approval of shareholders);</li> <li>a decision by A Class Shareholders to wind up SunRice; and</li> <li>an amendment to the Constitution that adversely affects the rights or economic interests of B Class Shareholders.</li> </ul>
Right to dividends	Yes	Yes
Right to transfer	Yes but only to: <ul style="list-style-type: none"> <li>an existing SunRice shareholder;</li> <li>a Board approved superannuation trustee;</li> <li>a joint holder of shares approved by the Board;</li> <li>a persons who becomes entitled to B Class Shares upon a transmission event; or</li> <li>SunRice</li> </ul>	No restrictions except A Class Shareholders still required to hold the minimum number of B Class Shares (3,000)
Right on winding up	Entitled to participate equally in the distribution of any surplus	Entitled to participate equally in the distribution of any surplus

 SunRice

- there will also be an extension in the rights of B Class Shareholders as a consequence of application of the ASX Listing Rules including:
  - SunRice will be required to disclose in its sixth and tenth annual report after listing on the ASX and in every third annual report thereafter whether it has considered removing its non standard elements (i.e. its dual class share structure, differential voting rights and shareholder limits and director appointment provisions);
  - the requirement for continuation of the 10% shareholding cap for B Class Shares to be subject to approval of A Class Shareholders (50% vote) at its tenth annual general meeting and each third annual general meeting thereafter; and
  - B Class Shareholder approval will be required to issue more than 15% of the B Class Shares in any 12 month period (subject to exceptions).

#### 4.2.4 Financial Impact

Implementation of the Proposal (i.e. removal of B Class Share ownership restrictions, ASX listing, extension of shareholder rights, increase in shareholding cap) has no direct financial impact on SunRice.

While not part of the Proposal, the Board has announced an intention to raise new equity capital in the order of \$20-30 million following implementation of the Proposal. If new equity is raised, the financial impacts of the capital raising for SunRice (which are the impacts on B Class Shareholders) will depend on:

- the number of new B Class Shares issued and the price at which they are issued;
- the net proceeds available to SunRice from the capital raising (i.e. after transaction costs);



- the extent to which SunRice leverages its enlarged equity capital base by raising additional debt; and
- the return earned by SunRice on funds deployed.

While the timing, size and terms of the proposed equity capital raising are in the control of the Board and SunRice has no immediate need for this capital (given it has around \$140 million of undrawn debt facilities), Grant Samuel has prepared proforma analysis to provide an indication of the financial impact of such a capital raising if it was to occur. This analysis (including the underlying assumptions) is set out in Section 4.5(iv) of this report and, in summary, indicates that the proposed equity capital raising:

- is likely to be earnings per B Class Share (“EPS”) dilutive if the shares are issued at pre announcement prices (i.e. \$4.00) unless SunRice can earn a pre tax return on the funds invested in excess of 25% but if higher issue prices can be achieved then there is more scope for accretion of EPS. At the current price of \$6.20 the pre tax return would only need to exceed 17-18% to be accretive ; and
- will be dilutive to NTA unless it occurs at prices substantially higher than recent prices as SunRice is trading on the NSX at prices substantially below NTA (i.e. circa \$4.00 prior to the announcement and \$6.20 currently compared to NTA of around \$7.50).

### 4.3 B Class Shareholders

#### 4.3.1 Advantages and Benefits

##### (i) Support future growth of business

Over the last five years, SunRice’s existing funding sources have supported aggregate business investment (including stay in business capital) of around \$135 million. Even allowing for undrawn bank loan facilities, SunRice’s existing capital structure is unlikely to be able to fund its current *2022 Growth Strategy* in full (estimated to be in the order of \$200-300 million in excess of stay in business capital expenditure).

Implementation of the Proposal will provide SunRice with ongoing access to a significant potential pool of equity capital and \$20-30 million of new equity (if SunRice proceeds with the proposed capital raising). This new equity source will improve SunRice’s financial capacity and flexibility and support the future growth of the business. In particular, implementation of the Proposal will:

- reduce SunRice’s reliance on existing shareholders to fund growth;
- provide SunRice with access to the large pool of investment capital on the ASX (see Section 4.3.1(ii)); and
- enable SunRice to:
  - raise funds on a timely basis from the optimal source. In particular, it will be able to tap equity markets for additional capital as needed (subject to market conditions and SunRice operating performance); and
  - fund acquisitions using scrip.

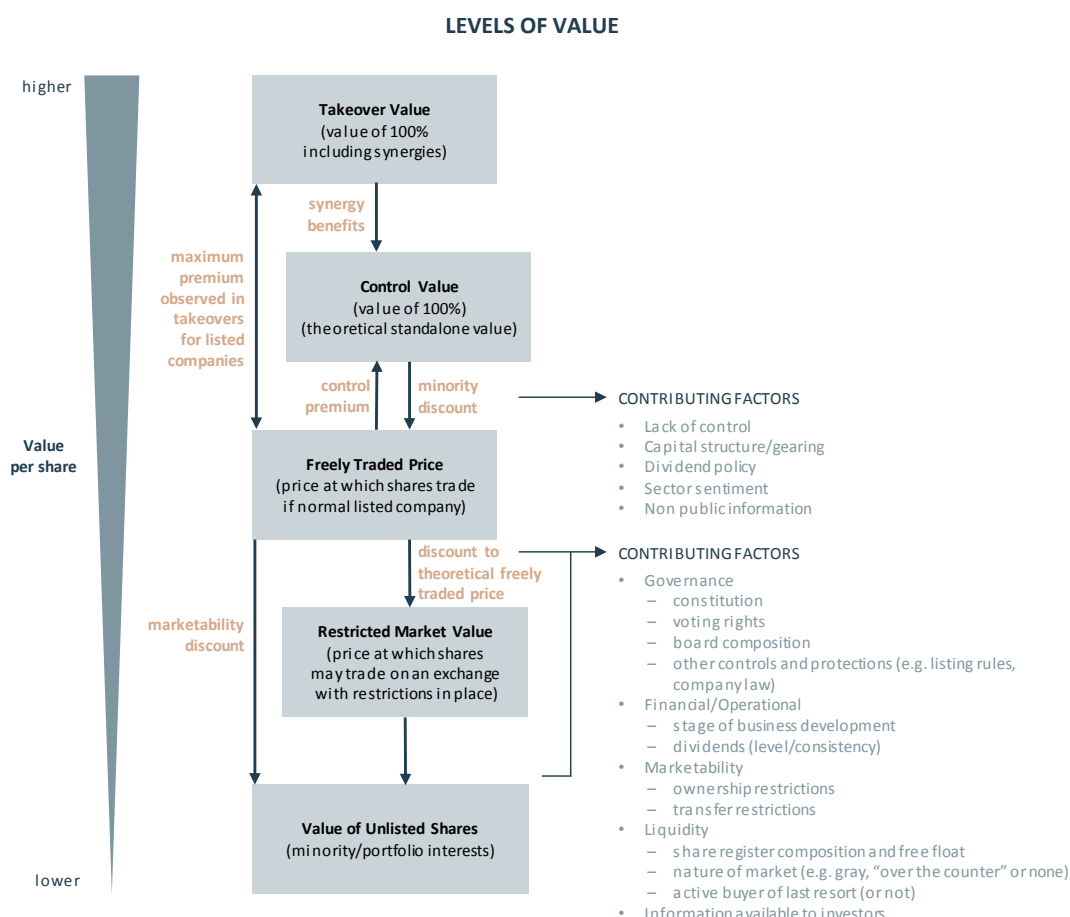
As a consequence, SunRice will be able to access and employ capital in ways that grow its business including:

- investment in capital projects (such as upgrading and/or expansion of existing facilities, introduction of new technology, construction of new facilities);
- expansion of its product range by increasing spend on new product development/innovation or acquisition;
- entry into new international markets and strengthening of its offshore supply chain; and
- acquisitions (“bolt on” or in adjacencies) which leverage existing capabilities and generate synergies.

Successful implementation of its *2022 Growth Strategy* should enhance returns for B Class Shares over time both by way of increased dividends per share and by underpinning an uplift in the share price.

## (ii) Potential for an uplift in the value of B Class Shares

It is well established that restrictions on the ability to buy or sell and the absence of a ready market have a negative impact on the price at which shares trade<sup>43</sup>. Elimination of such contributing factors should reduce the discount from a freely traded price. The basic value relationships and a summary of the factors that can impact the value of shares are summarised below:



Source: Grant Samuel

SunRice B Class Shares are subject to ownership restrictions (i.e. are not freely tradeable), have no voting rights (except in relation to changes to their rights) and trade on an exchange in which only a limited set of investors participate. As a result, the market for SunRice’s B Class Shares is illiquid and the shares trade at significantly lower earnings multiples and higher dividend yields than comparable companies listed on a mainstream stock exchange (see below). The key elements of the Proposal (elimination of ownership restrictions, listing on the ASX) and the proposed equity capital raising are designed to increase market liquidity for B Class Shares which should have a positive impact on value (subject to economic and market conditions and SunRice operating performance). The reasons for the expectation of an uplift in value are discussed below:

### ■ B Class Shares will be freely tradeable

Removal of ownership restrictions under the Proposal means that B Class Shares will be able to be freely traded between the full range of investors seeking investments via the ASX (including retail, institutional and superannuation investors, both domestic and international) subject only to the 10% cap on individual holdings. The resulting increase in investor interest in SunRice will also reflect its size and

<sup>43</sup> These matters are often grouped and described as the “marketability discount”.



market position as one of the world's largest rice food companies and one of Australia's largest branded food exporters. Increased investor interest should be positive for liquidity in the market for the B Class Shares. At the same time, the potential pool of investors in SunRice may be constrained by:

- features of SunRice and the B Class Shares (such as active grower control, limited voting rights), although the 10% cap on holdings is unlikely to materially impact the level of interest by retail or most institutional investors; and
- general investor sentiment regarding agribusiness. While investor interest in agribusiness has been strong in recent years, there is an associated perception of volatility. Although the Rice Pool Business represents only around 25-30% of total revenue, SunRice may be perceived primarily as an agribusiness entity.

On the other hand, there is a long history of grower controlled entities listing on the ASX (e.g. Wesfarmers Limited ("Wesfarmers") in 1984, GrainCorp Limited ("GrainCorp") in 1998, Fonterra Co-operative Group Limited ("Fonterra Co-op") via the Fonterra Shareholders' Fund ("FSF") in 2012); and

■ **there is greater liquidity and depth in the ASX**

The ASX is Australia's primary stock exchange and one of the top ten securities exchanges in the world (by market capitalisation). It attracts investment from millions of retail investors and virtually every Australian institutional investor as well as a very large number of offshore investors. In contrast, the NSX concentrates on small entities and attracts only a limited range of investors (even where they are not restricted from owning the shares).

The NSX is not a liquid stock exchange or a deep source of new capital compared to the ASX:

**COMPARISON OF STOCK EXCHANGES**

	NSX <sup>44</sup>	ASX
Market capitalisation at 11 July 2018	\$4,519.8 million	\$1,956,638 million
Number of listed securities	77	2,150
Average market capitalisation	\$58.7 million <sup>45</sup>	\$910 million
Proportion of market capitalisation (10 largest securities)	81% <sup>46</sup>	39%
Market statistics for 12 months ended 30 June 2018:		
- volume traded	14.8 million	866,667 million
- value traded	\$12.7 million	\$1,524,935 million
- value traded as percentage of market capitalisation	0.3%	77.9%
- capital raised (initial and secondary markets)	\$51.2 million	\$68,716 million

**Source:** NSX, ASX and Grant Samuel analysis

Small and medium sized entities list on the NSX to take advantage of its rules that allow restrictions on share ownership or as an interim step towards a full ASX listing. Analysis of trading on the NSX prior to the announcement of an ASX listing provides evidence of the potential for an uplift in value (i.e. share price) following elimination of ownership restrictions and listing on a deeper, more liquid market. Grant Samuel has analysed the trading of 13 NSX listed companies that transferred to the ASX during the period 2004-2018<sup>47</sup>. This analysis supports other "pre IPO" studies<sup>48</sup> and is summarised below:

<sup>44</sup> Data represents all securities (debt and equity) listed on the NSX. In comparison data for ASX represents equity securities only.

<sup>45</sup> However, the median market capitalisation on the NSX is only \$6.6 million.

<sup>46</sup> SunRice B Class Shares are currently the second largest security listed on the NSX (fifth by reference to pre announcement prices) and one of only two restricted securities.

<sup>47</sup> 14 companies transferred from the NSX to the ASX in the period 2004-2018 (to date) but one is not included due to no post transfer trading.

<sup>48</sup> Pre IPO studies are an empirical approach to estimating marketability discounts which involve a comparison of prices at which shares in private companies traded prior to an initial public offering ("IPO"). Data on discounts in trading prior to listing in Australia is limited but generally supports the conclusions of studies in the United States: that unlisted shares trade at a discount to the IPO price and those discounts decrease closer to IPO with discounts in the order of 25-50% (or uplifts in the order of 33-100%).





**UPLIFT IN TRADING PRICE ON ASX COMPARED TO PRIOR TRADING ON NSX (2004-2018)**

	ONE MONTH BEFORE	THREE MONTHS BEFORE	FIVE MONTHS BEFORE
Sample size	13	13	13
Uplift range	(10.7%)-212.5%	(9.1%)-212.5%	(16.7%)-212.5%
Uplift average	15.5%	33.6%	51.9%
Uplift median	11.1%	37.9%	48.2%

**Figure 1** Grant Samuel analysis

While this analysis is relevant for SunRice:

- the sample size is small and each entity had very different restrictions and liquidity on the NSX as well as different business characteristics. Their rating on the ASX (and therefore the extent of any uplift) would reflect their businesses and individual circumstances. In addition, the phasing of the uplift will depend on the timing of the announcement of the transfer to the ASX (relative to the actual transfer);
- the only agribusiness entity in the analysis (Capilano Honey Limited (“Capilano”)) retained two constitutional provisions (i.e. a requirement that supplier shareholders hold 16 shares per hive used for honey production and a Foundation Share) on transfer to the ASX. Capilano experienced a 35-40% uplift in its share price relative to NSX trading prices one month prior to announcement; and
- the liquidity of SunRice B Class Shares on the ASX, at least initially, will reflect a range of factors including:
  - investor assessment of the economic interest represented by the B Class Shares relative to similar companies and their specific characteristics (e.g. size, sector focus, growth outlook, free float, capital structure, constitutional provisions);
  - other matters specific to SunRice including active grower control, limited voting rights and the 10% shareholding cap as well as financial performance;
  - investor sentiment towards the agribusiness sector generally; and
  - SunRice’s success in introducing new investors, generating investor interest and developing the free float (e.g. through the proposed capital raising).

Nevertheless, as a more reliable and deeper source of investment capital than the NSX, the ASX is likely to deliver increased liquidity for B Class Shares as well as greater flexibility for SunRice to raise new capital in a timely manner.

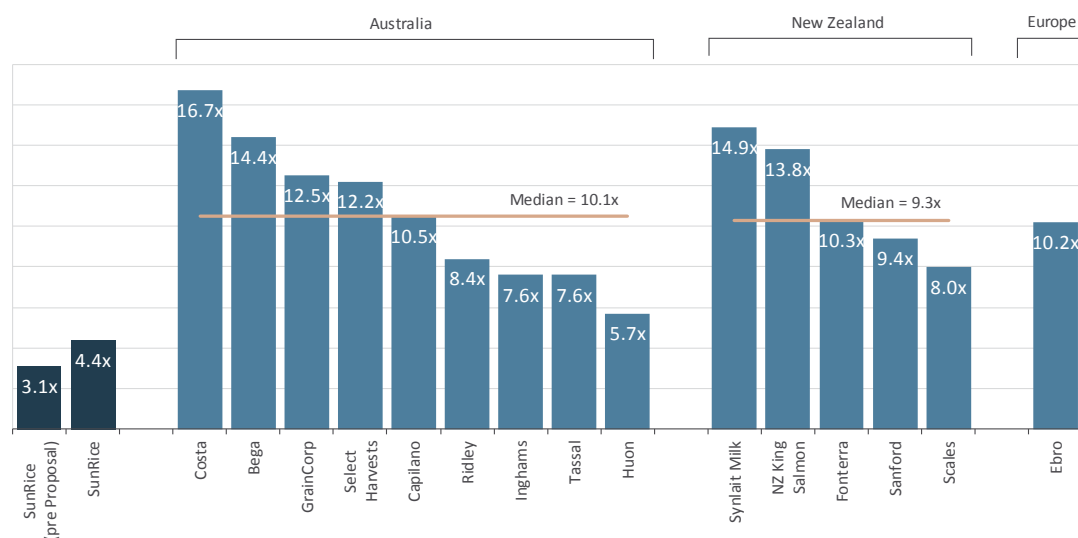
Removal of ownership restrictions, increased liquidity and broader investor participation (once achieved) should move the market rating of SunRice’s B Class Shares closer to that of its listed peer group resulting in a material uplift in the share price. The >50% increase in the share price following the announcement of the Proposal (from \$4.00 to \$6.20) validates this expectation but the market evidence indicates there is potential for further improvement in due course.

In this regard, SunRice B Class Shares have historically traded at significantly lower earnings multiples and materially higher dividend yields than comparable listed Australian and New Zealand agribusiness companies and Ebro<sup>49</sup>. Based on sharemarket prices at 11 July 2018 (with SunRice also presented based on 24 May 2018 being the last day it traded prior to announcement of the Proposal), SunRice’s relative market rating is shown in the following charts:

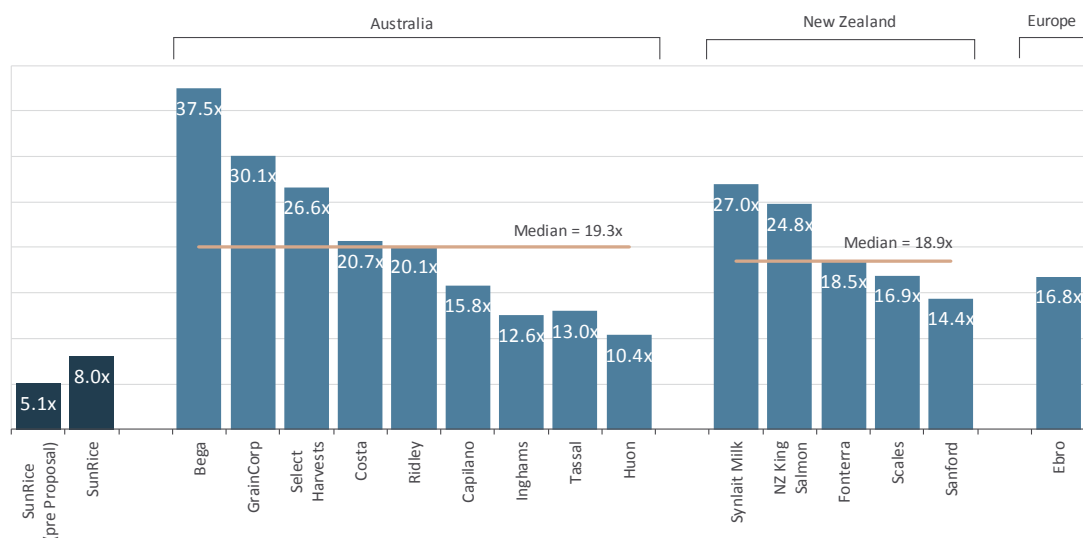
<sup>49</sup> Ebro is a Spanish headquartered multinational and the largest publicly traded rice processor and marketer. It sells branded rice and pasta products with around 50% of revenue and 60% of operating profit from the rice segment. Ebro competes with SunRice in sourcing rice internationally.



**SUNRICE VS LISTED COMPARABLE COMPANIES<sup>50</sup>**  
**FORECAST (CURRENT YEAR) EBITDA MULTIPLES<sup>51,52,53</sup>**



**FORECAST (CURRENT YEAR) PRICE EARNINGS MULTIPLES<sup>54</sup>**



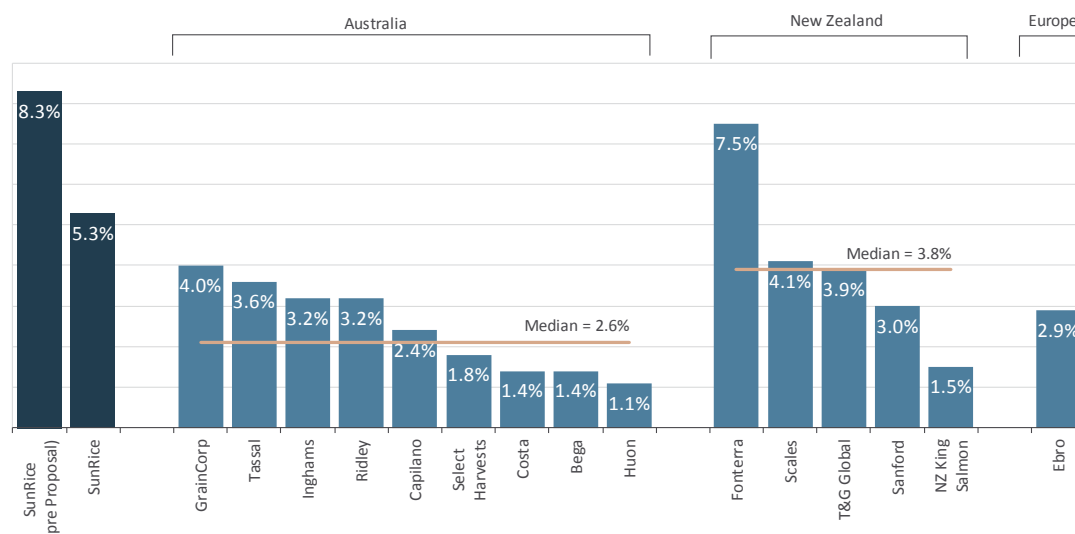
<sup>50</sup> The companies have a variety of year ends. Forecast (current year) multiples for all companies are based on earnings for the year ending 30 June 2018 except for SunRice which is based on the year ended 30 April 2018, Fonterra and Synlait Milk which are based on the year ending 31 July 2018, GrainCorp and Sanford which are based on the year ending 30 September 2018 and Scales, T&G Global and Ebro which are based on the year ending 31 December 2018.

<sup>51</sup> Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income, significant and non-recurring items and (where appropriate) fair value adjustments relating to biological assets.

<sup>52</sup> New Zealand company T&G Global has a restricted free float (7%) and no broker coverage and therefore no forecast earnings multiples can be calculated.

<sup>53</sup> New Zealand company Tegel has been excluded from the peer group as it is currently subject to a takeover offer.

<sup>54</sup> Represents market capitalisation divided by NPAT (before significant and non-recurring items).

HISTORICAL DIVIDEND YIELD<sup>55,56,57,58</sup>

Source: Grant Samuel analysis<sup>59</sup>

The following factors are relevant to consideration of the sharemarket ratings for the comparable companies:

- each company has retail branded food operations except for GrainCorp, Ridley, Scales Corporation Limited and Sanford Limited (“Sanford”);
- all have a single class of shares with full voting rights except that:
  - Capilano has a Foundation Share which provides Capilano Beekeepers Ltd the right to appoint two directors (current board of eight directors) but no special voting rights<sup>60</sup>; and
  - shares in Fonterra Co-op may only be owned by active New Zealand dairy farmers. FSF is a unit trust that owns shares in Fonterra Co-op. Units in FSF (which are listed on both the ASX and NZX<sup>61</sup>) provide investors with economic exposure to Fonterra Co-op, no voting rights at any meeting of Fonterra Co-op shareholders but voting rights at FSF unitholder meetings.

The Fonterra corporate structure ensures that control of Fonterra Co-op is retained by active dairy farmers including a Fonterra Unit which gives control of changes to the FSF trust deed to farmer shareholders of Fonterra Co-op. In addition, the economic interest of non farmers (i.e. FSF) is capped and managed to fall within a target range of 7-12% of Fonterra Co-op shares on issue. The markets for shares in Fonterra Co-op and units in FSF have been designed to work together with the intended result that they should trade at very similar prices. Price convergence occurred within six months of listing on 30 November 2012 and subsequently the entities have generally traded in a band of less than +/- 1% (e.g. the closing price of both Fonterra Co-op shares and FSF units closed at NZ\$5.32 on 11 July 2018). Given this corporate

<sup>55</sup> Dividend yield calculated as dividend for the last financial year (excluding any special dividends) divided by the current share price.

<sup>56</sup> Synlait Milk did not pay a dividend and is therefore not shown in the graph.

<sup>57</sup> Fonterra Co-op has issued dividend guidance of 15-20 cents per share below the prior year actual dividend (40 cents) which implies a lower dividend yield range of 2.8-3.8% (albeit still at the top end of yields for the comparable companies).

<sup>58</sup> All Australian company dividends are 100% franked except Huon (50% franked) and all New Zealand company dividends have 100% imputation except for Fonterra Co-op which has no imputation (and therefore FSF distributions also have no imputation)

<sup>59</sup> Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

<sup>60</sup> Capilano's shares-to-hives ratio was removed in February 2014.

<sup>61</sup> NZX = New Zealand Stock Exchange



structure, the multiples for Fonterra are calculated by reference to the unit price of FSF and the earnings of Fonterra Co-op;

- trading in the shares of only four of the companies (GrainCorp, Costa Group Holdings Limited (“Costa”), Tassal Group Limited, Select Harvests Limited (“Select Harvests”)) is reasonably liquid. The liquidity of the other companies is impacted by a range of factors including:
  - restricted free floats due to controlling shareholders - both long term strategic owners (e.g. Huon Aquaculture Group Limited, Synlait Milk Limited, New Zealand King Salmon Investments Limited (“NZ King Salmon”), Sanford and T&G Global Limited) and private equity investors that listed the entity (e.g. Inghams Group Limited (“Inghams”));
  - specific constitutional provisions:
    - FSF units are subject to a 15% unitholding cap and the existence of the Fonterra Unit;
    - Bega Cheese Limited (“Bega”) shares are subject to a 15% shareholding cap until 16 August 2021;
    - the Sanford board has power to limit the interests of overseas persons to less than 22.5% of issued capital; and
    - Capilano shares are subject to the existence of a Foundation Share;
  - the mixed history of the agribusiness sector for investors (although interest in agribusiness has been strong in recent years with a number of new listings including FSF, Inghams, Costa, MG Unit Trust, Tegel Group Holdings Limited (“Tegel”) and NZ King Salmon); and
- the companies with high earnings multiples (e.g. Costa, Select Harvests, GrainCorp, Bega and Synlait Milk) are expected to grow strongly over the next three years for a variety of reasons including recent acquisitions, expansion into new and growing markets, growth in crop size or the impact of current drought conditions).

While the market ratings of the selected agribusiness companies are materially higher than those of SunRice (including when compared to post announcement trading), caution is warranted in drawing specific conclusions as there is no uniformity in the listed agribusiness sector. The selected companies encompass a range of different:

- product exposures (e.g. dairy, grain, poultry, aquaculture, honey, fruit, vegetables), all with different crop and pricing cycles, profitability levels and market outlooks;
- business models and profit generation mechanisms;
- mixes of business activities (e.g. storage and handling, processing, manufacturing, distribution); and
- levels of branded retail food activities.

Similarly, caution is warranted when considering the market rating of Ebro as it:

- is substantially larger than SunRice with revenue and EBIT of around €2.5 billion and €350 million respectively (circa \$4 billion and \$550 million at current exchange rates) and a current market capitalisation of €3.1 billion (\$4.8 billion); and
- has substantial non rice activities (deriving around 40% of operating profit from the pasta segment).

Nevertheless, there is clear scope for an uplift in the market rating for SunRice’s B Class Shares following implementation of the Proposal, potentially above current (post announcement) prices. However, it is not possible to be definitive on the extent and timing of the uplift. Given the extent of the discount implied by SunRice’s pre announcement market rating, it is Grant Samuel’s view that a material increase in the price of B Class Shares should eventuate. By way of illustration, set out in the table below are the implied share prices and other metrics based on a range of EBITDA multiples (above SunRice’s pre announcement and current market ratings but still below the median forecast EBITDA multiples for the listed comparable companies):



## ILLUSTRATION OF POTENTIAL SHARE PRICE UPLIFT

FY18 EBITDA MULTIPLE	PRE- ANNOUNCEMENT (24 MAY 2018) 3.1X	POTENTIAL RERATING				
		CURRENT (11 JULY 2018) 4.4X	5.0X	6.0X	7.0X	8.0X
Implied share price	\$4.00	\$6.20	\$7.30	\$9.00	\$10.60	\$12.30
Implied uplift	-	55.0%	82.5%	125.0%	165.0%	207.5%
Implied FY18 price earnings multiple	5.1x	8.0x	9.4x	11.6x	13.7x	15.8x
Implied historical dividend yield	8.3%	5.3%	4.5%	3.7%	3.1%	2.7%

Source: Grant Samuel analysis

Note: Potential share price uplift calculated by reference to FY18 earnings and B Class Shares currently on issue.

However, it is important that B Class Shareholders understand that the uplift will:

- occur over time. While a “kick up” on transfer to the ASX could be expected, the full rerating is likely to take time to develop as investor interest in SunRice builds and liquidity improves. In this context, the proposed equity capital raising is intended to introduce new investors and accelerate increased liquidity. Accordingly, the uplift will be impacted by the timing and outcomes of the equity raising (or any alternative equity raising) including the diversity and depth of investors introduced, the level of investor interest that can be generated and sustained and the increase in liquidity that is introduced into the market for B Class Shares;
- be less than if shares in SunRice became freely traded without restrictions. The value of B Class Shares will be impacted by the liquidity of the market and by factors specific to SunRice including the following:

- active grower control;
- the B Class Shares will have specific (not full) voting rights<sup>62</sup>. There is little clear evidence as to the extent of the discount applicable to non voting shares and limited consensus as to the rationale for observed discounts. Empirical studies in the United States have indicated median discounts for non voting shares of less than 4% while in Canada a median discount of 4% has been observed. Other studies have shown that discounts vary widely between countries but are typically greater than 4% (particularly in countries with less robust shareholder protection regimes).

FSF provides a current local example of non voting securities (and is similarly controlled by farmers) but there is no independent, freely traded price for Fonterra Co-op shares. However, some analysts that follow FSF have suggested discounts in the order of 10%.

An earlier local example of non voting securities was The Franked Income Fund (“FIF”) through which unitholders held an indirect investment in Wesfarmers. FIF was listed in 1988 to provide franked income returns and capital growth (by way of appreciation of FIF units on the ASX reflecting appreciation in the value of Wesfarmers). From listing until the structure was dismantled in 2001 (upon acquisition of FIF by Wesfarmers in return for shares), FIF units traded at a discount to theoretical net asset backing (in a range of 10-40% across the period) with the “value gap” around 20-30% during 2000;

- the economic return for B Class Shares is subject to the annual determination of the paddy price (including the asset financing and trademark use charges and the potential for paddy price supplements);
- while there is likely to be a greater number of shares on issue and a broader range of potential investors, there is no certainty that liquidity for B Class Shares will increase materially (see Section 4.3.2(ii)). The proposed new equity capital represents less than 15% of SunRice’s pre announcement market capitalisation and not all of the funds are expected to be sourced from new investors;

<sup>62</sup> However, the growth in indirect investment structures and derivative products demonstrates that there is a market for acquiring exposure to an entity’s economic performance without associated voting rights. Recent agribusiness precedents include Fonterra Co-op/FSF in November 2012 and Murray Goulburn/MG Unit Trust in July 2015.





- reduced speculation of corporate activity due to the 10% shareholding cap and active grower control; and
- there will be no change in the information on SunRice available to investors as the continuous disclosure requirements of the NSX and ASX are comparable (although SunRice will increase interactions with the investment community); and
- depend on SunRice's operating performance (including the profitable implementation of its *2022 Growth Strategy* and growth in dividends per share).

In summary, the potential uplift in the price of B Class Shares is material but:

- the full extent of the rerating is likely to be progressive, not instantaneous; and
- will be impacted by the timing and outcomes of the proposed equity capital raising (or any alternative equity raising).

**(iii) Greater shareholder rights**

The Proposal extends the rights of B Class Shares (under the Constitution as well as a consequence of application of the ASX Listing Rules) but does not provide full voting rights.

B Class Shares currently have the right to receive notice of and attend all general meetings but no right to vote except in relation to proposals to vary the rights attaching to B Class Shares in which case B Class Shareholder approval by special resolution is required (i.e. 75% of the votes cast by shareholders entitled to vote).

The expansion of the matters that will be considered a variation of rights of B Class Shares under the Proposal as well as the requirements of the ASX Listing Rules provide valuable protections for B Class Shareholders in situations that could have a material impact on their investment in SunRice including:

- transactions that will result in a person acquiring a voting power of more than 10% in any share class (effectively setting a control hurdle lower than the 20% threshold in the Corporations Act);
- the sale or disposal of a major portion of SunRice's business;
- the issue of financial products that dilute the economic interest of B Class Shares;
- variations to A Class Share rights that adversely affect the rights or economic interests of B Class Shares;
- the issue of a new class of shares or variation to the rights of a new class of shares;
- reductions in the equity capital base of SunRice (except A Class Share redemptions or B Class Share buybacks permitted by the Corporations Act without approval of shareholders);
- a decision by A Class Shareholders to wind up SunRice;
- the issue of more than 15% of B Class Shares in any 12 month period (subject to exceptions); and
- the continuation of the 10% shareholding cap for B Class Shares.

To the extent these matters are deemed variations to the rights attaching to B Class Shares under the Constitution, the approval of B Class Shareholders by special resolution will be required (i.e. 75% hurdle). However:

- as variations to the rights of B Class Shares also require the approval of A Class Shareholders by special resolution (75% hurdle), A Class Shareholders have an effective veto right; and
- B Class Shareholders will continue to have no influence over strategic or operational decisions for SunRice as they will continue to have no right to vote on the appointment of directors (albeit directors have a duty to act in the best interests of SunRice as a whole, to act fairly between the share classes and will face increased market scrutiny).

**(iv) Other advantages and benefits**

The Proposal will enable B Class Shares to be freely traded (except that A Class Shareholders will still be required to hold a minimum of 3,000 B Class Shares) in a more liquid market. This provides a number of benefits including:

- shareholders should be able to realise their investment in a more timely manner at a price which better reflects the underlying value of SunRice. While B Class Shareholders could be exposed to increased volatility in the share price compared to trading on the NSX, this is a normal feature of listing on a deep, well traded sharemarket (such as the ASX);
- the elimination of estate planning and business re-arrangement issues that currently exist for B Class Shareholders (given restrictions on the range of parties to which B Class Shares can be transferred); and
- an increased potential for B Class Shares to be accepted as security for loans and other forms of financial accommodation (albeit listed shares are generally considered lesser quality collateral than, say, real estate).

**4.3.2 Disadvantages, Costs and Risks****(i) Risks associated with expansion and investment programme**

There are risks associated with any new capital investment. In this case, SunRice's *2022 Growth Strategy* involves a substantial step up in capital investment both in Australia and internationally (including the construction and acquisition of facilities and potential business acquisitions). The scale of the investment programme and the competitive environment in which it operates exacerbate the risk for SunRice.

While it has made significant operational improvement in recent years, there is a limited track record that SunRice has the capability to execute projects on this scale across multiple fronts and, inevitably, there is risk of delays, additional costs or other more serious mis-steps. However:

- there is no intention to move into new sectors with the investment programme focused on SunRice's existing businesses;
- a significant proportion of investment will be made in organic growth opportunities (e.g. taking existing products into new markets or expanding product range);
- the stronger performance and growth of recent years has enabled SunRice to build its management quality and depth; and
- the introduction of external investors spreads the risks associated with the expansion programme.

**(ii) No certainty that liquidity will increase materially**

Transferring the listing from the NSX to the ASX, removal of ownership restrictions and the introduction of new investors should increase liquidity in the market for B Class Shares. However, the extent of increase in liquidity (and share price benefit) will be impacted by the actual free float for the B Class Shares, the level of investor interest in SunRice and the timing and outcomes of the proposed equity capital raising. In this context:

- A Class Shareholders are estimated to hold around 44% of B Class Shares on issue. While A Class Shareholders are only required to hold 3,000 B Class Shares (i.e. <5% of B Class Shares currently on issue), it is not clear what proportion of the excess over the minimum holding may be realised and become part of the free float;
- if a number of B Class Shareholders raise their investment to the 10% shareholding cap, the SunRice free float will reduce;
- SunRice will be, at least initially, a small-mid sized listed entity and may not be included in any key sharemarket indices. This will limit the level of institutional interest;



- liquidity may only increase over time as the proportion of B Class Shareholders who have no past or present connection with SunRice or the rice industry grows;
- few of SunRice's listed peers have liquid trading in their shares; and
- B Class Shares are likely to attract yield investors (who are less likely to trade).

Nevertheless, SunRice and its advisers will focus on optimising the market for B Class Shares by developing a broker following and increasing interactions with the investment community.

### **(iii) Other disadvantages, costs and risks**

If the Proposal is implemented:

- there will be an increase in corporate costs including share registry costs, listing fees and investor relations costs. SunRice estimates incremental costs will be immaterial (\$0.3 million per annum) in the context of SunRice's total cost base;
- SunRice estimates that one-off costs associated with the Proposal will total \$3.0 million on a before tax basis. These costs include legal and other adviser's fees, fees associated with the ASX listing, grower meeting costs, printing and mailing costs and other costs. Approximately \$1.8 million of the total cost will be incurred prior to the SunRice meetings to consider the Proposal; and
- while SunRice has been listed on the NSX since June 2007, an ASX listing represents a significant step up in market exposure for SunRice, the Board and its senior management. Coupled with the scope of SunRice's investment program, this creates challenges for the Board and management, few of whom have experience in an ASX listed environment. This may result in unexpected stresses and incremental costs.

### **4.3.3 Summary and Conclusion**

The primary benefits of the Proposal for B Class Shareholders are that it:

- supports the future growth of SunRice's Profit Businesses (including implementation of the *2022 Growth Strategy*), and therefore returns to B Class Shareholders, by providing access to another potential pool of capital (the ASX);
- improves the financial capacity and flexibility of SunRice;
- provides the potential for the market liquidity of B Class Shares to be enhanced. In particular, it enables the shares to be freely traded between the full range of investors on the ASX (Australia's primary stock exchange);
- should lead to material improvement in the market price of B Class Shares. While a "kick up" on transfer to the ASX could be expected (over and above the 55% increase that has already occurred post announcement of the Proposal), the full rerating is only likely to emerge over time depending on increased market liquidity and SunRice operating performance; and
- provides increased protections for the economic interests of B Class Shareholders by way of additional shareholder rights.

There are some disadvantages, costs and risks but they are outweighed by the benefits. The more significant of these are:

- the risk of poor execution of SunRice's expansion programme; and
- uncertainty that market liquidity for B Class Shares will increase materially (or may take an extended period to develop).

Grant Samuel's judgement is that B Class Shareholders will be better off if the Proposal is implemented than if it is not. Accordingly, in Grant Samuel's opinion, the Proposal is in the best interests of B Class Shareholders.

## 4.4 A Class Shareholders

### 4.4.1 Advantages and Benefits

#### (i) Continuation of active grower control of SunRice

There will be no fundamental change to A Class Shareholder voting control of SunRice and Board majority on implementation of the Proposal. Accordingly, SunRice will remain an active grower controlled entity.

While the Proposal extends the shareholder rights of B Class Shares by giving them additional rights on specific matters which may impact their economic interest:

- the rights are limited in scope and B Class Shareholders will continue to have no influence over strategic and operational decisions or direct involvement in day to day governance processes (as they will continue to have no right to vote on the appointment of directors of SunRice); and
- to the extent that the specific matters are deemed to be variations to the rights of the B Class Shares, A Class Shareholders will also vote (as a separate class) on these matters gaining an effective veto. Furthermore, A Class Shareholders will:
  - gain the right to receive notice of, and attend meetings of, any other class of shares (but no right to vote at those meetings);
  - gain rights to vote on some matters that they previously did not or may not have has rights to vote upon (e.g. where a person acquires a relevant interest in more than 10% of SunRice shares); and
  - vote on the continuation of the 10% shareholding cap for B Class Shares (initially ten years after then every three years) as required by the ASX (i.e. 50% hurdle) but changes to or removal of the cap will also require their approval in addition to the approval of B Class Shareholders under the Constitution (both by 75% hurdle).

#### (ii) Value benefits for A Class Shareholders

Implementation of the Proposal will provide SunRice with access to another potential pool of capital. This will improve the financial capacity and flexibility of SunRice and support implementation of the *2022 Growth Strategy*. This expansion should benefit A Class Shareholders in a number of ways:

- key elements of the expansion/investment programme will better enable SunRice to target high returning markets, assisting Riverina growers to focus on high value rice varieties and receive premium prices for their production. These initiatives include:
  - upgrading of SunRice's Australian rice mills to meet the standards required for sushi rice and low GI rice by high returning premium markets (including Japan);
  - increased sales and marketing efforts in the growing Asian markets;
  - continued development of the international business (supply chain and milling capacity) that will enable SunRice to use that volume to meet demand for lower grade rice (therefore freeing up Australian production to target high returning segments);
  - building out the regional ingredients business (for both rice and rice derived products) to provide additional demand for higher grade rice; and
  - increased agronomic services for growers and research and development activities to continue development of varieties and new rice products;
- growing the Profit Businesses will enable SunRice to:
  - spread corporate overheads further (i.e. reducing the share of corporate overheads charged to the Rice Pool Business);



- be a more resilient business better able (financially and otherwise) to deal with challenges impacting active growers (e.g. the ability to fund supplements in poor crop years or where global prices collapse); and
- further develop the depth and expertise of its management team; and
- reduced calls to fund SunRice's growth initiatives (in their capacity as B Class Shareholders) by using non grower funds to expand the business.

Implementation of the Proposal will support the future growth of SunRice and should enhance the returns that growers receive for their crop. Moreover, as A Class Shareholders are also required to hold B Class Shares (minimum of 3,000 shares), successful implementation of the *2022 Growth Strategy* will also enhance their investment in B Class Shares.

#### 4.4.2 Disadvantages, Costs and Risks

##### (i) Risks associated with expansion programme

SunRice's *2022 Growth Strategy* involves a substantial step up in capital investment. The scale of the investment programme and the competitive environment in which SunRice operates increase the risk for SunRice (see Section 4.3.2(i)). There is also a risk that the expansion programme could divert management attention and focus from optimising returns for active growers (i.e. A Class Shares). However:

- a number of the identified capital initiatives are focussed on supporting Riverina growers to grow premium varieties;
- the investment programme is focussed on SunRice's existing businesses;
- a significant proportion of investment is targeted at organic growth opportunities; and
- SunRice has built management quality and depth in recent years.

Moreover, the introduction of external investors will spread the risks associated with the expansion programme.

##### (ii) Increased cost of B Class Shares

Should implementation of the Proposal result in an uplift in the price of B Class Shares, the cost for a new A Class Shareholder of acquiring the required minimum number of B Class Shares will also increase. Such an increase without a similar increase in the paddy price may impact a decision to apply for an A Class Share. However:

- the Board has the power to put in place mechanisms (such as a grower share purchase plan) to assist eligible growers to purchase B Class Shares; and
- the minimum number of B Class Shares required to be held can be reduced by amending the Constitution (with the approval of A Class Shareholders by special resolution).

##### (iii) Potential for divergence of the interests of A Class Shareholders and B Class Shareholders

The introduction of shareholders not previously involved with SunRice and a ready market for B Class Shares will, over time, reduce the interests of existing B Class Shareholders and increase the proportion of business risk carried by non active grower B Class Shareholders. This may well lead to greater divergence in the interests of A Class Shareholders and B Class Shareholders which brings the risk that, in the future, B Class Shareholders will agitate for changes in SunRice's operating structure including:

- increased (if not full) voting rights (particularly in relation to the appointment and removal of directors);
- changes to the structure of the Board;
- removal of, or changes to, the shareholding cap for B Class Shares; and





- changes to the Paddy Pricing Policy (e.g. disclosure of the actual paddy price calculation and the basis for asset financing and trademark use charges and amendments or increases in those charges).

In this situation, while the Board is controlled by A Class Shareholders, each director has a duty to act in the best interests of SunRice as a whole and to act fairly between the share classes (see Section 3.8.2). The Board will therefore need to give due consideration to matters raised by B Class Shareholders. However, at least in relation matter requiring constitutional changes (including the first three matters mentioned above), A Class Shareholders have an effective veto.

Nevertheless, dealing with shareholder agitation could distract the Board and management from focusing on SunRice's businesses which may impact operating performance or result in incremental administration costs (potentially to the detriment of both share class) or pressure to amend or increase charges (such as the asset financing charge or trademark usage charge) made to the Rice Pool Business under the Paddy Pricing Policy.

#### (iv) Active grower control of SunRice

Implementation of the Proposal may accelerate change in active grower control of SunRice. While active grower control of SunRice has created one of the world's largest rice food companies, the history of ASX listed grower controlled entities is that, over time, their capital structures have been "normalised". Catalysts for change in grower control have varied (regulatory, market/economic conditions, operational reasons, corporate governance or performance issues) as have the processes for change (in steps over time<sup>63</sup> or by way of a "big bang" transaction). For SunRice, there is no specific regulatory trigger which would require consideration of its corporate structure but, in any event, the introduction of external investors could well lead to pressure for change at some stage (even if some years down the track).

However, any change to active grower control of SunRice is in the control of A Class Shareholders in that it ultimately requires approval by 75% of A Class Shareholders (as well as B Class Shareholders). Change will, therefore, not occur if the A Class Shareholders do not consider it to be in their best interests.

### 4.4.3 Summary and Conclusion

For A Class Shareholders, SunRice's primary objective is optimising the paddy price. Having grown the paddy price over recent years, a range of initiatives to further enhance it have been identified in the *2022 Growth Strategy*. On the basis the Proposal will improve the financial capacity and flexibility of SunRice and support this strategy, A Class Shareholders should (subject to market/farm conditions and SunRice operating performance) benefit from:

- improved paddy prices (primarily through further "premiumisation");
- reduced calls to fund growth initiatives (in their capacity as B Class Shareholders) by SunRice accessing non grower funds to expand the business; and
- increased dividends and capital appreciation (in relation to their investment in B Class Shares).

Moreover, implementation of the Proposal does not change A Class Shareholder voting control of SunRice or the Grower Director Board majority and, therefore, SunRice will remain an active grower controlled entity.

However, the Proposal allows for external investors into the SunRice capital structure creating the potential for greater divergence in the interests of the two shareholder classes with the risk that, in the future, B Class Shareholders will agitate for changes in SunRice's operating structure (e.g. increased voting rights, changes to Board structure, removal of shareholding cap). Nevertheless, at least in relation to matters requiring constitutional change (including a change of control transaction), A Class Shareholders have an effective veto and, therefore, change will not occur if A Class Shareholders do not consider it to be their best interests.

Accordingly, in Grant Samuel's opinion, the Proposal is in the best interests of A Class Shareholders.

<sup>63</sup> Sometimes over periods as long as 20 years (e.g. Wesfarmers was listed on the ASX in 1984 and normalised its structure in 2001 and GrainCorp was listed on the ASX in 1998 and normalised its structure in 2001).



## 4.5 Other Considerations

### (i) Alternatives

The capital structure review<sup>64</sup> which culminated in the March 2015 announcement of a potential new capital structure for SunRice involved extensive consultation with shareholders, regulatory authorities and other stakeholders and evaluation of a wide range of alternatives. The main alternatives reviewed were:

- retaining the existing structure;
- NSX listing with removal of B Class Share ownership restrictions;
- listing (either on NSX or ASX) with a single ordinary shareholding structure;
- listing (on ASX) with a single ordinary shareholding structure with a golden share or other control protections;
- the issue of units in an ASX listed trust to B Class Shareholders in exchange for their B Class Shares. The units would have the same economic rights as B Class Shares, be able to be held by investors generally but have no voting rights in SunRice (generally referred to as “the indirect economic interest structure”)<sup>65</sup>;
- separating the assets associated with the Rice Pool Business from the Profit Businesses;
- delisting from the NSX; and
- returning to co-operative status.

Having explored in detail these alternatives, the Board concluded that, given the ASX’s constraints around non voting securities, the alternative that best met the objectives of the capital structure review at the time was the issue of voting units in an ASX listed trust that, in turn, owned non voting shares in SunRice (i.e. an indirect economic interest in SunRice). SunRice engaged with shareholders with the intention of holding shareholder votes in March 2016 but the meetings were suspended for various reasons.

While the proposed restructure was deferred, the rationale and objectives for it remain unchanged. However, notwithstanding the success of the Fonterra Co-op/FSF structure, since 2016 confidence in the indirect economic interest structure has been undermined by the difficulties experienced by the Murray Goulburn Co-operative Co. Limited (“Murray Goulburn”)/MG Unit Trust structure. As these difficulties were not a direct result of Murray Goulburn’s capital structure (except to the extent that it proved incapable of providing fresh equity at the time it was most needed), it is an open question whether Murray Goulburn’s circumstances would have been different if the MG Unit Trust unitholders had held voting rights in Murray Goulburn. Nevertheless, the indirect economic interest structure is out of favour with active growers and investors generally and is no longer considered appropriate for SunRice.

The Proposal was not one of the major alternatives previously considered by SunRice due to the regulatory approach at that time to the listing of member/grower controlled entities and non voting securities. However, given the Murray Goulburn experience and, as the Proposal meets both SunRice’s original objectives and current regulatory requirements, it is reasonable to assume that it best meets the objectives set down in the capital structure review and that the other alternatives outlined above remain unsuitable or less attractive.

<sup>64</sup> The objectives of the capital structure review were to:

- preserve A Class Shareholder voting and other control rights;
- improve SunRice’s ability to access capital to support its growth, reduce business risk and increase resilience;
- enhance the value and liquidity of B Class Shareholders’ investment in SunRice; and
- address estate planning issues and enhance the liquidity of an investment in SunRice.

<sup>65</sup> Similar to the structures adopted by Fonterra Co-op/FSF in 2012 and Murray Goulburn/MG Unit Trust in 2015.

**(ii) Status quo**

The status quo remains a viable option for SunRice but is considered to be suboptimal as:

- it will need to fund its business strategy within the constraints of its existing capital structure (possibly leading to an increase in gearing and associated business risk);
- its ability to leverage its market position and respond in a timely manner to business opportunities will be hampered;
- it may have operational consequences including impacting SunRice's ability to retain and/or recruit executives with the expertise to manage a business of this size; and
- there will be no catalyst for an increase in liquidity in the market for B Class Shares or an improvement in their market rating. There will be no expectation for an increase in the share price from current levels and it is conceivable, if not likely, that the SunRice share price would decline to pre announcement levels.

**(iii) No taxation implications**

Implementation of the Proposal is expected to have no taxation implications for SunRice or existing holders of either of its classes of shares.

**(iv) Proposed equity capital raising**

Following implementation of the Proposal, SunRice currently intends to raise new equity capital in the order of \$20-30 million. While SunRice does not require access to capital immediately (given around \$140 million of undrawn core debt facilities), the raising aims to introduce new investors and accelerate increased liquidity for the market for B Class Shares. However, the timing, size and terms of the raising will not be known prior to the meetings at which shareholder approval for the Proposal will be sought.

Therefore, as discussed in Section 4.2.4, in order to provide an indication of the financial impacts for SunRice (which are the impacts for B Class Shareholders) of the proposed equity raising, Grant Samuel has prepared proforma analysis based on:

- SunRice's FY18 financial statements; and
- assuming \$31.75 million of capital is raised comprising:
  - \$25 million of new equity capital (i.e. midpoint of proposed raising), with \$23.75 million net proceeds available to SunRice for investment (i.e. after assumed costs equal to 5% of the raising); and
  - \$8 million of new core borrowings at an interest rate of 6% per annum (i.e. SunRice leverages its enlarged equity capital base).

The proforma analysis is summarised below:

- **earnings per share and dividends per share**

Set out below is a summary of the proforma impact on EPS of a range of prices for the new B Class Shares and a range of returns earned on deployment of the funds:

**SUNRICE – FY18 PROFORMA EARNINGS PER B CLASS SHARE ACCRETION / (DILUTION)**

ISSUE PRICE	PRE TAX RETURN ON INVESTMENT (EFFECTIVE EBIT MULTIPLE / RETURN PERCENTAGE)				
	4.0X (25%)	5.0X (20%)	6.0X (16.7%)	7.0X (14.3%)	8.0X (12.5%)
<b>\$4.00</b>	0.2%	(2.1%)	(3.7%)	(4.8%)	(5.6%)
<b>\$5.00</b>	2.2%	(0.2%)	(1.7%)	(2.9%)	(3.7%)
<b>\$6.00</b>	3.6%	1.2%	(0.4%)	(1.5%)	(2.4%)
<b>\$7.00</b>	4.6%	2.2%	0.6%	(0.6%)	(1.4%)
<b>\$8.00</b>	5.4%	3.0%	1.3%	0.2%	(0.7%)

**Grant Samuel analysis**



This analysis indicates that the proposed equity capital raising is likely to be EPS dilutive if the shares are issued at pre announcement prices (i.e. \$4.00, unless SunRice can earn a pre tax return on the funds invested in excess of 25%) but at higher prices there is more scope for accretion of EPS (e.g. at the current price of \$6.20 it is positive at around a 17-18% pre tax return).

To the extent that EPS increases, dividends per share may also increase given SunRice targets a dividend payout ratio of up to 50% of NPAT; and

■ **net asset backing and gearing**

Set out below is a summary of the proforma impact on SunRice's financial position of a range of prices for the new B Class Shares:

**SUNRICE – PROFORMA FINANCIAL POSITION AT 30 APRIL 2018**

	30 APRIL 2018	ISSUE PRICE				
		\$4.00	\$5.00	\$6.00	\$7.00	\$8.00
B Class Shares on issue (million)	56.8 <sup>66</sup>	63.0	61.8	60.9	60.3	59.9
Net assets per B Class Share	\$7.65	\$7.27	\$7.41	\$7.51	\$7.59	\$7.64
NTA per B Class Share	\$7.49	\$7.12	\$7.27	\$7.37	\$7.44	\$7.49
Gearing	8.9%	9.9%	9.9%	9.9%	9.9%	9.9%
<b>Change in:</b>						
Net assets	-	(5.0%)	(3.1%)	(1.7%)	(0.8%)	-%
NTA	-	(4.9%)	(3.0%)	(1.6%)	(0.7%)	0.1%
Gearing	-	11.4%	11.4%	11.4%	11.4%	11.4%

SOURCE: Grant Samuel analysis

SunRice is trading on the NSX at prices substantially below NTA (circa \$4.00 pre announcement and \$6.20 currently compared to NTA of around \$7.50). Accordingly, equity issues will be dilutive to NTA unless they occur at prices substantially higher than pre announcement prices (i.e. around \$8.00). However, NTA is unlikely to be a key driver of prices for B Class Shares on the ASX. In addition, as it is assumed that SunRice will leverage the new equity raised, gearing increases by around 11%.

Caution is warranted when considering Grant Samuel's proforma analysis as:

- it assumes that 100% of the funds raised are available and deployed immediately; and
- does not allow for:
  - any incremental corporate costs as a result of the Proposal; and
  - transaction costs in relation to the Proposal (but does allow for capital raising costs).

The analysis is therefore illustrative only. The proforma analysis is not, and does not purport to be, a forecast of the future performance of SunRice.

Nevertheless, there are two risks for existing B Class Shareholders arising from the proposed equity raising:

- **that it is undertaken at a less than optimal price for B Class Shares (i.e. diluting their interests)**

In this regard, while B Class Shareholders have no control over the pricing of the capital raising:

- there have been a number of IPOs of agribusinesses in Australia and New Zealand over the past three years (Inghams, Costa, MG Unit Trust, NZ King Salmon and Tegel) that raised around \$1.9 billion. This activity suggests that there is likely to be reasonable demand for investment in SunRice and a reasonably positive attitude towards the sector by investors (subject, of course to pricing). Furthermore, investors have recent experience investing in securities with no direct voting rights relating to the economic interest they hold (e.g. FSF, MG Unit Trust). While investor experience in the MG Unit Trust (i.e. an indirect economic interest in Murray Goulburn) has raised questions

<sup>66</sup> B Class Shares outstanding at 30 April 2018. Proforma B Class Shares exclude shares issued by SunRice after 30 April 2018.



about certain capital structures in the listed agriculture sector, the additional rights provided to B Class Shares under the Proposal (and the absence of milk pricing/profit interdependence) go to mitigating some of the issues raised;

- there are a number of listed entities that can provide valuation benchmarks (see Section 4.3.1(ii)), although only FSF units represent an economic interest in a grower controlled entity;
- the scale of the proposed equity capital raising (circa \$20-30 million) should be easily digestible in a market the size of the ASX;
- there will be an offering process consistent with market best practice. SunRice has met prospective investors to provide an overview of its strategy and business and the initial feedback has been positive; and
- the Board will have the right not to proceed with the capital raising if not satisfied with the price.

■ **that it does not proceed at or shortly after ASX listing**

The proposed equity capital raising would be designed in part to increase register diversity and the free float with the aim of accelerating the development of an active liquid market in SunRice B Class Shares. If the proposed raising (or an alternative raising) does not occur shortly after ASX listing, the liquidity benefits sought under the Proposal will take longer to emerge as:

- there will be no clear price guidance for subsequent trading (other than the trading price on the NSX prior to ASX listing); and
- a new base of investors likely to buy and sell shares will not be established.

However:

- SunRice does not require funds immediately and would retain the option of raising capital from external investors at a later date; and
- the proposed raising is relatively small (\$20-30 million) and greater liquidity benefits may arise from a future larger raising with a specific objective (e.g. an acquisition).



## 5 Qualifications, Declarations and Consents

### 5.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 550 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Caleena Stilwell BBus FCA F Fin GAICD and Stephen Wilson BCom MCom (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Ashley Morony BCom CA assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

### 5.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is in the best interests of A Class shareholders and, separately, B Class Shareholders. Grant Samuel expressly disclaims any liability to any SunRice shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Explanatory Booklet issued by SunRice and has not verified or approved any of the contents of the Explanatory Booklet. Grant Samuel does not accept any responsibility for the contents of the Explanatory Booklet (except for this report).

### 5.3 Board Report

In April 2018, SunRice engaged Grant Samuel to prepare the Board Report and this report. The Board Report was:

- for the information of the Board and not for public release or to be referred to publicly. The directors were to form their own view of the Proposal based on a range of external advice, due diligence and other information as appropriate;
- to be based on information available at the time of preparation. It was recognised that this would not include:
  - the audited FY18 financial results for SunRice;
  - final details of the arrangements with the ASX;
  - a final draft of the changes to the Constitution; and
  - the final Explanatory Booklet (setting out SunRice's disclosures in relation to the Proposal); and
- to be in the same form as the report to be included in the Explanatory Booklet issued by SunRice and to utilise the same basis of assessment (i.e. whether or not the Proposal is in the best interests of A Class shareholders and, separately, B Class Shareholders) subject to the information constraints.

The Board Report was provided to the Board on 23 May 2018.

This report is essentially the same as the Board Report. The primary differences are as follows:

- Sections 1, 2 and 5 have been redrafted to reflect the change in purpose of this report in comparison to the Board report and a summary letter has been prepared;
- announcements (including audited FY18 financial statements), market prices and changes in other data for SunRice and listed peer group entities since 17 May 2018 have been reflected in this report; and
- the Explanatory Booklet has been reflected in this report.



## 5.4 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with SunRice or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel advises that it commenced analysis for the purposes of this report in April 2018 prior to the announcement of the Proposal and prepared the Board Report for which it received a fixed fee of \$100,000. This work did not involve Grant Samuel participating in the formulation of the Proposal. Its only role has been the preparation of this report and the Board Report.

Grant Samuel will receive a fixed fee of \$185,000 (inclusive of the \$100,000 fixed fee received for the preparation of the Board Report) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of this report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

## 5.5 Declarations

SunRice has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by the courts to be primarily caused by any conduct involving negligence or wilful misconduct by Grant Samuel. SunRice has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by SunRice are limited to an amount equal to three times the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to SunRice and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

## 5.6 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Booklet to be sent to shareholders of SunRice. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

## 5.7 Other

The accompanying letter dated 19 July 2018 forms part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

19 July 2018

*Grant Samuel & Associates*



— ANNEXURE B —  
PROPOSED  
AMENDMENTS  
TO THE SUNRICE  
CONSTITUTION





# Constitution

Ricegrowers Limited  
ACN 007 481 156

# Table of Contents

<b>1</b>	<b>Preliminary</b>	<b>1</b>
1.1	Definitions	1
1.2	Interpretation	5
1.3	Application of the Corporations Act	6
1.4	Application of Listing Rules	6
1.5	Replaceable Rules not to apply	7
1.6	Not used	7
<b>2</b>	<b>Objects and powers</b>	<b>7</b>
2.1	Primary Objects	7
2.2	Support of Primary Objects	7
2.3	Powers	7
2.4	No Limitation on Powers	7
<b>3</b>	<b>Share capital</b>	<b>8</b>
3.1	Classes of Shares	8
3.2	A Class Shares	8
3.3	Not used	8
3.4	B Class Shares	8
3.5	Not used	8
3.6	Not used	9
3.7	Other classes of Shares	9
3.8	Issue of Shares	9
3.9	Not used	9
3.10	Preference shares	9
3.11	Application for Shares	9
3.12	Dividend Re-investment Plan	9
3.13	Acquisition of B Class Shares by A Class Shareholders	9
3.14	Not used	10
3.15	Not used	10
3.16	Employee Share Plan	10
<b>4</b>	<b>Maximum Shareholding</b>	<b>10</b>
4.1	Maximum A Class Shareholding	10
4.2	Maximum B Class Shareholding	10
4.3	Restrictions on Share Issues and Transfers	10
4.4A	Substantial Holding Notices	11
4.4	Disclosure of Shareholdings	12
4.5	Consequences of Breach in relation to A Class Shares	12
4.6	Consequences of Breach in relation to B Class Shares	13
4.7	Definitions	15
<b>5</b>	<b>Rights applicable to shares generally</b>	<b>16</b>
5.1	A Class Shares	16
5.2	B Class Shares	16
5.3	Redemption of A Class Shares	17
5.4	Redemption Process for A Class Shares	17
5.5	Deferral of Redemption of A Class Shares	17
5.6	Variation of Class Rights	17



5.7	Re-classification of Shares	18
<b>6</b>	<b>Supplier Members</b>	<b>19</b>
6.1	Dealings with Supplier Members	19
6.2	Payment arrangements	19
6.3	Provision of Services	19
6.4	No limit on dealings	19
<b>7</b>	<b>Shareholding details</b>	<b>19</b>
7.1	Equitable and other claims	19
7.2	Certificates	19
7.3	Joint holders of Shares	19
<b>8</b>	<b>Calls, forfeiture, indemnities, lien and surrender</b>	<b>20</b>
8.1	Calls	20
8.2	Proceedings for recovery of calls	21
8.3	Payments in advance of calls	21
8.4	Forfeiture of partly paid Shares	21
8.5	Lien on Shares	22
8.6	Surrender of Shares	23
8.7	Indemnity for payments by the Company	23
8.8	General provisions applicable to a disposal of Shares under this Constitution	24
8.9	Interest payable by Member	25
<b>9</b>	<b>Transfer and transmission of shares</b>	<b>25</b>
9.1	No Transfer of A Class Shares	25
9.2	Not used	25
9.3	Not used	26
9.4	Not used	26
9.5	General Requirements for Transfer	26
9.6	Restricted Securities	27
9.7	Not used	28
9.8	Not used	28
9.9	Transmission of Shares	28
<b>10</b>	<b>General meetings</b>	<b>29</b>
10.1	Convening of general meetings	29
10.2	Notice of general meetings	29
10.3	Admission to general meetings	30
10.4	Business of annual general meetings	30
10.5	Quorum at general meetings	31
10.6	Chairperson of general meetings	31
10.7	Conduct of general meetings	32
10.8	Decisions at general meetings	33
10.9	Voting Rights	34
10.10	Representation at general meetings	34
10.11	Meetings of B Class Shareholders	36
<b>11</b>	<b>Directors</b>	<b>37</b>
11.1	Appointment and removal of Directors	37
11.2	Election of Grower Directors	38
11.3	Vacation of office	39



11.4	Remuneration of Directors	39
11.5	Interested Directors	40
11.6	Powers and duties of Directors	41
11.7	Proceedings of Directors	42
11.8	Convening of meetings of Directors	42
11.9	Notice of meetings of Directors	42
11.10	Quorum at meetings of Directors	44
11.11	Chairperson and deputy chairperson of Directors	44
11.12	Decisions of Directors	45
11.13	Written resolutions	45
11.14	Alternate Directors	46
11.15	Committees of Directors	47
11.16	Delegation to individual Directors	47
11.17	Validity of acts	47
<b>12</b>	<b>Secretaries</b>	<b>47</b>
12.1	Secretaries	47
12.2	Terms	48
<b>13</b>	<b>Execution of documents</b>	<b>48</b>
13.1	Methods of Execution	48
<b>14</b>	<b>Distribution of profits</b>	<b>48</b>
14.1	Dividends	48
14.2	Capitalisation of profits	49
14.3	Ancillary powers	50
14.4	Reserves	51
14.5	Carry forward of profits	51
<b>15</b>	<b>Borrowing powers</b>	<b>51</b>
15.1	Power to Borrow	51
15.2	Power to secure repayment of moneys	51
15.3	Loan securities assignable	51
15.4	Loan securities assignable	51
15.5	Certificates for loan securities	51
15.6	Keeping of register of charges	52
<b>16</b>	<b>Accounts</b>	<b>52</b>
16.1	Financial records to be kept	52
16.2	Inspection by Directors	52
16.3	Physical format	52
16.4	Financial Report	52
16.5	Reporting to members	52
<b>17</b>	<b>Audit</b>	<b>53</b>
17.1	Audit of financial report	53
<b>18</b>	<b>Winding up</b>	<b>53</b>
<b>19</b>	<b>Minutes and records</b>	<b>54</b>
19.1	Minutes to be made	54
19.2	Minutes to be entered	55

19.3	Signature of Minutes	55
19.4	Minutes as evidence	55
19.5	Inspection of records	55
<b>20</b>	<b>Indemnity and insurance</b>	<b>55</b>
20.1	Persons to whom Rules 20.2 and 20.3 apply	55
20.2	Indemnity	56
20.3	Extent of indemnity	56
20.4	Insurance	56
20.5	Savings	57
20.6	Contract	57
<b>21</b>	<b>Notices</b>	<b>57</b>
21.1	Notices by the Company to Members	57
21.2	Notices by the Company to Directors	58
21.3	Notices by Members or Directors to the Company	58
21.4	Notices posted to addresses outside the Commonwealth	58
21.5	Time of service	58
21.6	Other communications and documents	59
21.7	Notices in writing	59
<b>22</b>	<b>General</b>	<b>59</b>
22.1	Submission to jurisdiction	59
22.2	Prohibition and enforceability	59

# Ricegrowers Limited

ACN 007 481 156

## 1 Preliminary

### 1.1 Definitions

In this Constitution unless the context requires otherwise:

**"A Class Share"** means a redeemable preference Share having the rights conferred on A Class Shares by this Constitution;

**"A Class Shareholder"** means the holder of an A Class Share;

**"A Class Shareholding Limit"** has the meaning given in Rule 4.1;

~~**"Act"** means the Corporations Act 2001 (Cth) as amended or replaced from time to time;~~

~~**"Active Co-operative Member"** means a person who was, as at the date on which the Co-operative was registered as a company, an active member of the Co-operative as defined in the Co-operative's rules;~~

**"Active Grower"** means any person who has supplied paddy rice (being the produce of that grower and not acquired for delivery) to the Company on or before a particular date (a **"Test Date"**):

- (a) where the Test Date is on or before 30 June 2016, the paddy rice so supplied is one (1) tonne in the Two Year Delivery Period before that Test Date; and
- (b) where the Test Date is after 30 June 2016, the paddy rice so supplied is two hundred (200) tonnes in the Two Year Delivery Period before that Test Date;

~~**"Active Grower Director"** means a Director who holds, or is the Representative of a body corporate that holds, an A Class Share;~~

**"Approved Entity"** means, in relation to a Member or joint Member, the trustee (including a new or replacement trustee) of a superannuation fund:

- (a) of which the Member or joint Member is a beneficiary; and
- (b) that has been approved by the Directors;

~~**"Approved Rearrangement"** means a restructure of a Member's rice farming business which has been approved by the Board;~~

~~**"ASTC"** means ASX Settlement and Transfer Corporation Pty Limited as approved as the Securities Clearing House under the Act;~~

~~**"ASTC Business Rules"** means the Business Rules of ASTC from time to time;~~

**"ASX"** means ASX Limited or Australian Securities Exchange as appropriate;

**"Auditor"** means the Company's auditor;

**"B Class Share"** means a Share having the rights conferred on B Class Shares by this Constitution;

**"B Class Shareholder"** means the holder of a B Class Share;

**"B Class Shareholding Limit"** has the meaning given in Rule 4.2;

**"Board"** means the board of Directors from time to time;

**"Business Day"** means a day other than a Saturday, Sunday or public holiday in New South Wales;

~~"CHESS approved securities" means securities approved by ASTC in accordance with the ASTC Business Rules;~~

**"Company"** means Ricegrowers Limited, ~~being the company formed upon registration of the Co-operative as a company under Part 5B.1 of the Act~~ (ACN 007 481 156);

**"Constitution"** means this document as amended from time to time and the reference to any "Rule", ~~or~~ "Part" or "Schedule" is a reference to the rule, ~~or~~ part or schedule, respectively, of that number in this Constitution;

~~"Co-operative" means the Ricegrowers' Co-operative Limited (ARBN 007 481 156), being a co-operative registered under the Co-operatives Act;~~

~~"Co-operatives Act" means the Co-operatives Act 1992 (NSW);~~

**"Corporations Act"** means the Corporations Act 2001 (Cth), as amended or replaced from time to time;

**"CS Facility"** has the same meaning as prescribed CS facility in the Corporations Act;

**"CS Facility Operator"** means the operator of a CS Facility;

**"Delivery Period"** means the period from and including 1 July in a year up to and including 30 June in the following year;

**"Director"** means a person appointed to the position of a director of the Company;

**"Elected RMB Member"** means an elected member of the Rice Marketing Board for the State of New South Wales ("RMB"), including a person who is deemed by the Marketing Primary Products Act 1983 (NSW) to be an elected member of RMB;

**"Employee Share Plan"** means a plan approved by A Class Shareholders in general meeting under which B Class Shares may be issued to, or for the benefit of, employees or ~~Independent~~ Non-Grower Directors of the Company and its ~~Related~~ bBodies ~~e~~Corporate;

~~"Financial Market" means a financial market as defined in the Act which is operated by the holder of an Australian market licence;~~

**"Grower Director"** means a Director who holds, or is the Representative of a body corporate that holds, an A Class Share;

~~"Independent Director" means a Director other than an Active Grower Director;~~

~~"Initial Directors" means those persons who were directors of the Co-operative immediately before the registration of the Co-operative as a Company under Part 5.B1 of the Act;~~

~~"Initial Members" means persons who are entitled to receive B Class Shares upon registration of the Co-operative as a company under Part 5B.1 of the Act, being;~~

(a) ~~each member of the Co-operative who held shares in the Co-operative at the date of its registration as a company; and~~

(b) ~~each former member of the Co-operative who is entitled to be regarded as the holder of shares in the Co-operative under Part 6 Division 5 of the Co-operatives Act upon its registration as a company and has not lost that entitlement under section 141 of the Co-operatives Act;~~

~~“Initial Period” means the period commencing on the registration of the Co-operative as a company under Part 5B.1 of the Act and ending on the earlier of:~~

(a) ~~the date determined by the Board as the end of the Initial Period; and~~

(b) ~~the date on which any of the B Class Shares are admitted to quotation on a Financial Market;~~

~~“Initial Shares” means the B Class Shares issued to Initial Members upon registration of the Co-operative as a company under the Act;~~

~~“Market Rules” means the rules of a Financial Market applicable to the Company while any of its Shares are admitted to quotation on that Financial Market;~~

“Listing Rules” means the Listing Rules of ASX and any other rules of ASX which are applicable to the Company while the Company is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX;

**“Member”** means the registered holder of a Share;

**“Minimum B Shareholding”** means 3,000 B Class Shares, provided that if a different minimum B Class Shareholding applied to a particular Member before 23 August 2013 that minimum holding will apply to that Member until 23 August 2016;

**“month”** means calendar month;

**“New Supplier Member”** means a person who has been admitted as ~~a Member~~an A Class Shareholder on the basis that they are, or the Board believes that they will become, ~~as an~~ Active Grower;

**“Non-Grower Director”** means a Director other than a Grower Director;

**“Official List”** has the meaning given to it in the Listing Rules;

**“Operating Rules”** means the operating rules of a CS Facility regulating the settlement, clearing and registration of uncertificated shares as amended, varied or waived (whether in respect of the Company or generally) from time to time;

**“paddy rice”** means harvested rice in an unprocessed state;

**“Primary Notice”** means a written notice addressed to a Member requiring the Member to provide to the Company a written statement setting out:

(a) full particulars of their own relevant interest in Shares and of the circumstances that give rise to that interest;

(b) so far as is known to the Member, the name and address of each other person who has a relevant interest in any of those Shares together with full details of the nature and extent of the interest and the circumstances that give rise to the other person's interest; and

- (c) so far as is known to the Member, the name and address of each person who has given to the Member instructions about:-
- (i) the acquisition or disposal of any of those Shares; or
  - (ii) the exercise of any voting or other rights attached to any of those Shares; or
  - (iii) any other matter relating to any of those Shares;

together with full details of those instructions, including the date or dates on which they were given:-

**“Register”** means the register of Members kept pursuant to the [Corporations Act](#);

**“Related Body Corporate”** has the meaning given to that term in the [Corporations Act](#);

**“relevant interest”** has the meaning given to that term in the [Corporations Act](#);

**“Representative”**, in relation to a body corporate, means a representative of the body corporate appointed under section 250D(1) of the [Corporations Act](#);

**“Restriction Agreement”** means a restriction agreement in a form set out in the [Listing Rules](#) or otherwise approved by ASX;

~~**“Rice Bonds”** means subordinated loans previously made to the Co-operative and known as Rice Bonds;~~

**“RMB”** means the Rice Marketing Board for the State of New South Wales;

~~**“RMB Equity Holder”** means a person entitled to receive a payment from RMB under the RMB Capital Equity Rollover Scheme;~~

**“Secondary Notice”** means a written notice addressed to a person (“the recipient”) requiring the recipient to provide to the Company a written statement setting out:

- (a) full particulars of their own relevant interest in Shares and of the circumstances that give rise to that interest;
- (b) so far as is known to the recipient, the name and address of each other person who has a relevant interest in any of those Shares together with full details of the nature and extent of the interest and the circumstances that give rise to the other person's interest; and
- (c) so far as is known to the recipient, the name and address of each person who has given to the recipient instructions about:-
  - (i) the acquisition or disposal of any of those Shares; or
  - (ii) the exercise of any voting or other rights attached to any of those Shares; or
  - (iii) any other matter relating to any of those Shares;

together with full details of those instructions, including the date or dates on which they were given:-

**“Share”** means a share in the capital of the Company of whatever class;

~~**“Share Issue Formula”** means the procedures and principles set out in Schedule Two;~~



“**Shareholder**” means the registered holder of a Share;

“**Special Class Voting Matter**” means a matter specified in Rule 5.6(b);

“**Supplier Member**” means any Member who supplies rice to the Company and any New Supplier Member;

~~“**Suppliers Share Plan**” means the plan set out in Schedule One under which Supplier Members are required to subscribe for additional B-Class Shares upon the terms of the plan;~~

“**Transmission Event**” means:

- (a) in respect of a Member who is an individual:
  - (i) the death of the Member;
  - (ii) the bankruptcy of the Member;
  - (iii) the Member becoming of unsound mind; or
  - (iv) the Member becoming liable to be dealt with in any way under the law relating to mental health; and
- (b) in respect of a Member who is a body corporate, the dissolution of the Member or the succession by another body corporate to the assets and liabilities of the Member; and

“**Two Year Delivery Period**” means the two most recently completed Delivery Periods.

## 1.2 Interpretation

In this Constitution, headings are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) a reference in a Rule to a partly paid Share is a reference to a Share on which there is an amount unpaid;
- (b) a reference in a Rule to a call or an amount called in respect of a partly paid Share includes a reference to a sum that, by the terms of issue of a Share, becomes payable on allotment or at a fixed date;
- ~~(c)~~ an A Class Shareholder ~~a Member~~ is to be taken to be present at a general meeting if the A Class Shareholder ~~Member~~ is present in person or by proxy, attorney or Representative;
- ~~(e)~~ (d) a B Class Shareholder is to be taken to be present at a class meeting of B Class Shareholders if the B Class Shareholder is present in person or by proxy, attorney or Representative;
- ~~(d)~~ (e) a Director is to be taken to be present at a meeting of Directors if the Director is present in person or by an alternate Director;
- ~~(e)~~ (f) a reference in a Rule in general terms to a person holding or occupying a particular office or position includes a reference to any person who occupies or performs the duties of that office or position for the time being;
- ~~(f)~~ (g) words importing the singular include the plural and vice versa;
- (h) words importing a gender include every other gender;

- (i) if an event under this Constitution must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day;
- ~~(g)~~(j) a reference to “Australian Dollars”, “AUD” or “A\$” is a reference to the lawful currency of Australia;
- ~~(h)~~(k) a reference to a person includes a natural person, company, corporation, body corporate, body politic, partnership, joint venture, association, board, group or other body (whether or not the body is incorporated);
- (l) a reference to a person includes that person’s successors and legal personal representatives including in the case of a body corporate, a liquidator or administrator;
- (m) a reference to a party to an agreement, deed, authority or other instrument includes a reference to any successor, replacement, assignee, substitute or addition of the party according to that agreement, deed, authority or instrument;
- ~~(i)~~(n) a reference to an agreement, deed or other instrument includes a reference to that agreement, deed or instrument as amended, modified, added to or restated from time to time;
- ~~(j)~~(o) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws varying, consolidating or replacing them and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (p) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings; and
- ~~(k)~~(q) the words “includes” or “including”, “for example” or “such as” do not exclude a reference to other items, whether of the same class or genus or not; and
- ~~(l)~~(r) a reference to “shall”, “must” or a similar word or expression, used in relation to a power of the Directors, indicates that the power must be used, subject to the Corporations Act or the Rule granting the power.

### 1.3 Application of the Corporations Act

- (a) This Constitution is to be interpreted subject to the Corporations Act.
- (b) Unless the contrary intention appears, an expression in a Rule that deals with a matter dealt with by a provision of the Corporations Act has the same meaning as in that provision.

### ~~1.4 Effect of Market Rules~~

~~While any of the Shares are admitted to quotation on a Financial Market, the following provisions apply:~~

### 1.4 Application of Listing Rules

In this Constitution, a reference to the Listing Rules only applies while the Company is on the Official List of ASX.

While the Company is on the Official List of ASX:

- (a) despite anything contained in this Constitution, if the ~~Market-Listing~~ Rules prohibit an act being done, that act must not be done;

- (b) nothing contained in this Constitution prevents an act being done that the ~~Market Listing~~ Rules require to be done;
- (c) if the ~~Market Listing~~ Rules require any act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);
- (d) if the ~~Market Listing~~ Rules require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision;
- (e) if the ~~Market Listing~~ Rules require this Constitution not to contain a provision and it does contain such a provision, this Constitution is deemed not to contain that provision; and
- (f) if any provision of this Constitution is or becomes inconsistent with the ~~Market Listing~~ Rules, this Constitution is deemed not to contain that provision to the extent of the inconsistency.

## 1.5 Replaceable Rules not to apply

The replaceable rules contained in the Corporations Act do not apply to the Company except to the extent that they are repeated in this Constitution.

## 1.6 ~~ASTC Business Rules~~Not used

~~Despite anything contained in this Constitution, the Company must comply with the ASTC Business Rules if any of its securities are CHES approved securities. In particular, the Company must comply with the requirements of the ASTC Business Rules regarding the maintenance of registers, the issuing of holding statements and transfers in relation to CHES approved securities.~~

# 2 Objects and powers

## 2.1 Primary Objects

The primary objects of the Company's business are:

- (a) to receive, process and market rice, rice products and rice by-products; and
- (b) to achieve long term improvement in the returns to Supplier Members for paddy rice supplied to the Company and the profitability of the Company's businesses.

## 2.2 Support of Primary Objects

The Directors shall manage the Company's business and exercise their powers and duties having due regard to the primary objects of the Company as set out in Rule 2.1.

## 2.3 Powers

The Company has the legal capacity and all of the powers conferred by the Corporations Act on a company limited by shares.

## 2.4 No Limitation on Powers

Rules 2.1 and 2.2 do not limit the powers that the Company has under the Corporations Act or restrict the Company's exercise of those powers.

## 3 Share capital

### 3.1 Classes of Shares

The share capital of the Company is divided into:

- (a) A Class Shares; and
- (b) B Class Shares.

### 3.2 A Class Shares

A Class Shares can only be issued to

~~(a) Initial Members who are Active Co-operative Members; and~~

~~(b)~~ Active Growers or persons whom the Directors believe, on reasonable grounds, will become Active Growers.

### 3.3 ~~A Class Shares to Initial Members~~ Not used

~~Upon registration of the Co-operative as a company under Part 5B.1 of the Act, all Initial Members who are Active Co-operative Members will each be issued with one A Class Share. No amount is payable in relation to the issue of A Class Shares to those Initial Members.~~

### 3.4 B Class Shares

The Company may issue B Class Shares from time to time.

~~B Class Shares can only be issued to:~~

- ~~(a) the Initial Members upon registration of the Co-operative as a company under the Act;~~
- ~~(b) an A Class Shareholder or a person to whom the Directors have agreed to issue an A Class Share;~~
- ~~(c) a person who is, at the time of the issue, an existing B Class Shareholder;~~
- ~~(d) an Approved Entity of a person referred to in paragraph (b) or (c) of this Rule;~~
- ~~(e) participants under an Employee Share Plan; or~~
- ~~(f) RMB Equity Holders.~~

### 3.5 ~~Initial Shares~~ Not used

~~Upon registration of the Co-operative as a company under Part 5B.1 of the Act:~~

- ~~(a) each person who is a member of the Co-operative as at the date of registration will be issued with one (1) B Class Share for each share they held in the Co-operative at that date; and~~
- ~~(b) each person who is entitled under Part 6 Division 5 of the Co-operatives Act to be regarded as the holder of shares in the Co-operative that were previously forfeited will, subject to any loss of that entitlement under section 141 of the Co-operatives Act, be issued with one (1) B Class Share for every share in the Co-operative they are regarded as the holder of.~~

### 3.6 ~~Not used~~~~[Deleted 23-8-13]~~

### 3.7 Other ~~c~~Classes of Shares

Shares other than A Class Shares and B Class Shares can-not be issued without the prior approval of:

(a) A Class Shareholders by special resolution passed at a general meeting of the Company; and

(b) if the issue constitutes a variation of the class rights of B Class Shares, a class vote of B Class Shares in accordance with Rule 5.6.

### 3.8 Issue of Shares

Without prejudice to any special rights conferred on the holders of any Share or class of Share but subject to the [Corporations Act](#) and this Constitution (in particular Rules 3.2, ~~3.3, 3.4, 3.5~~ and 3.7), the Directors may issue, allot or grant options in respect of, or otherwise dispose of, Shares to such persons, for such price, on such conditions, at such times and with such preferred, deferred or other special rights or special restrictions, whether with regard to dividend, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the Directors think fit. The Directors may differentiate between the holders of partly paid Shares as to the amount of calls to be paid and the time for payment.

### 3.9 ~~Share Issue Formula~~ ~~Not used~~

~~Without limiting the Directors powers under Rule 3.8, the Directors are authorised to issue B Class Shares to Initial Members (in addition to their Initial Shares) on the basis of the Share Issue Formula at a nil issue price per Share.~~

### 3.10 Preference shares

Subject to the [Corporations Act](#), [the Listing Rules](#) and this Constitution, the Directors may issue preference shares that are liable to be redeemed.

### 3.11 Application for Shares

Applications for Shares, shall be lodged at the registered office in the form approved by the Directors together with the amount required to be paid on issue of the Shares. Every such application shall be considered by the Directors. If the Directors approve of the application, the Directors shall allot the Shares applied for. The applicant's name together with the number of Shares allotted, date of allotment and any other information required by or under the [Corporations Act](#) shall be entered in the ~~register of members~~[Register](#). The Directors may, at their discretion, refuse any application for Shares and need not assign reasons for such refusal. Upon refusal the amount paid by the applicant shall be refunded without interest.

### 3.12 Dividend Re-investment Plan

The Directors may, subject to the [Corporations Act](#), [the Listing Rules](#) and this Constitution:

- (a) establish a dividend reinvestment plan on terms determined by the Directors and issue B Class Shares under that plan; and
- (b) from time to time amend, suspend or terminate such plan.

### 3.13 Acquisition of B Class Shares by A Class Shareholders

The Directors may, ~~in their absolute discretion~~[subject to the Corporations Act, the Listing Rules and this Constitution](#), take steps and implement measures to encourage and facilitate

the acquisition of B Class Shares by A Class Shareholders. Without limitation, those steps and measures may include the offer of B Class Shares to all or any of the A Class Shareholders on terms that facilitate their acquisition of B Class Shares.

### 3.14 ~~Suppliers Share Plan~~ Not used

~~The Directors may:~~

- ~~(a) require Supplier Members to subscribe for additional B Class Shares in accordance with the Suppliers Share Plan; and~~
- ~~(b) apply amounts payable by the Company to a Supplier Member in respect of their supply of paddy rice to the Company in payment for additional B Class Shares that the Supplier Member is obliged to subscribe for under the Suppliers Share Plan.~~

~~The Suppliers Share Plan is binding on all current and future Supplier Members.~~

### 3.15 ~~Rice Bonds~~ Not used

~~Upon registration of the Co-operative as a company under Part 5B.1 of the Act, all of the rights and obligations of the Co-operative relating to Rice Bonds continue as rights and obligations of the Company in accordance with section 601BM(1) of the Act. Without limitation, the Company may:~~

- ~~(a) with the consent of the holder of Rice Bonds, repay or redeem Rice Bonds at any time before the final repayment or maturity date of the Rice Bonds; or~~
- ~~(b) permit the holder of Rice Bonds to apply Rice Bonds to satisfy all or part of the issue price of Shares.~~

### 3.16 Employee Share Plan

The Company may establish an Employee Share Plan and, subject to the Act and this Constitution, issue B Class Shares to participants under that Plan.

## 4 Maximum Shareholding

### 4.1 Maximum A Class Shareholding

A person must not hold more than five A Class Shares ("A Class Shareholding Limit").

### 4.2 Maximum B Class Shareholding

A person must not hold a number of B Class Shares which, when aggregated with any B Class Shares held by all Associates of that person, exceeds 10~~5~~% of the total number of issued B Class Shares ("B Class Shareholding Limit").

### 4.3 Restrictions on Share Issues and Transfers

- (a) The Directors must not issue A Class Shares or approve a transfer of A Class Shares if, as a result of that issue or transfer, a person would breach Rule 4.1~~or Rule 4.2.~~
- (b) The Directors must not issue B Class Shares or approve a transfer of B Class Shares if, as a result of that issue or transfer, a person would breach Rule 4.2, provided that this Rule 4.3(b) does not apply to the transfer of B Class Shares as provided by the Operating Rules of an applicable CS Facility.



#### **4.4A Substantial Holding Notices**

(a) A person must give a Substantial Holder Notice to the Company, and while B Class Shares are quoted on the ASX, to ASX, if:

(i) the person begins to have, or ceases to have a Substantial Holding in the Company; or

(ii) the person has a Substantial Holding in the Company and there is a movement of at least 1% in their holding,

in each case within 2 Business Days after they become aware of the relevant event.

(b) For the purposes of this Rule:

(i) a person has a “**Substantial Holding**” if the total number of B Class Shares in which that person, together with their Associates:

(A) have a relevant interest; and

(B) would have a relevant interest but for subsection 609(6) or 609(7) of the Corporations Act,

is 5% or more of the total number of B Class Shares on issue; and

(ii) there is a “**movement of at least 1%**” in a person’s holding if the percentage worked out using the following formula increases or decreases by 1 or more percentage points from the percentage point they last disclosed under this Rule in relation to the Company:

B Class Shares held by the person and their Associates

Total number of B Class Shares on issue x 100

(iii) “**Substantial Holder Notice**” means a notice from a person, in a form prescribed by the Directors (if any) or the equivalent form under the Corporations Act, which contains the following information:

(A) the person’s name and address;

(B) details of their relevant interest in B Class Shares in the Company;

(C) details of any relevant agreement through which they would have a relevant interest in B Class Shares in the Company;

(D) the name of each Associate who has a relevant interest in B Class Shares in the Company, together with details of:

(aa) the nature of their association with the Associate;

(ab) the relevant interest of the Associate; and

(ac) any relevant agreement through which the Associate has the relevant interest; and

(E) if the notice is being given because of a movement in their holding-- the size and date of that movement; and

(F) if the notice is being given because a person has ceased to be an Associate of a person, the name of that person,

together with a copy of:

(G) any document setting out the terms of any relevant agreement that:

(aa) contributed to the situation giving rise to the Member needing to provide the notice; and

(ab) which is in writing and readily available to that Member; and

(H) a statement by the person giving full and accurate details of any contract, scheme or arrangement that:

(aa) contributed to the situation giving rise to the Member needing to provide the notice; and

(ab) which is in writing and readily available to that Member.

Any copy of a contract, scheme or arrangement provided with this notice must be endorsed with a statement that the copy is a true copy. A Substantial Holder Notice need not be accompanied by the documents referred to in paragraphs (G) and (H) above if the transaction that gives rise to the Member needing to provide the information takes place on a prescribed financial market (as defined in the Corporations Act).

(c) Any failure by a person to comply with this Rule 4.4A will be considered to be a breach of this Constitution by the Member or Members that holds the relevant Shares that constitute the Substantial Holding.

#### **4.4 Disclosure of Shareholdings**

(a) Without limiting Rule 4.4A, the Company may give a Primary Notice to any Member.

~~(a)~~(b) Within 5 Business Days of receipt of a Primary Notice, the Member must provide to the Company a written statement setting out the information required by the Primary Notice.

~~(b)~~(c) Where the Company receives (either in response to a Primary Notice or a Secondary Notice) information that:

(i) another person has a relevant interest in any Shares; or

(ii) another person has given relevant instructions in relation to any Shares, the Company may give to that other person a Secondary Notice in relation to those Shares.

~~(c)~~(d) Within 5 Business Days of receipt of a Secondary Notice, the recipient must provide to the Company a written statement setting out the information required by the Secondary Notice.

(e) The Company may at any time withdraw a Primary Notice or Secondary Notice.

~~(d)~~(f) Any failure by a person to comply with a Secondary Notice will be considered to be a breach of this Constitution by the Member or Members that holds the relevant Shares.

#### **4.5 Consequences of Breach in relation to A Class Shares**

(a) If the Directors are satisfied that an A Class Shareholder ~~a Member~~ holds an A Class Share in breach of the A Class Shareholding Limit ~~Rule 4.1~~, the Directors may redeem the ~~ate~~ A Class Share in accordance with Rule 5.3.

- (b) An A Class Shareholder-Member that holds an A Class Share in breach of Rule 4.1 the A Class Shareholding Limit does not, while the breach continues, have any right to vote at any general meeting of the Company.

#### **4.6 Consequences of Breach in relation to B Class Shares**

- (a) If the Directors are satisfied that a person holds a B Class Share in breach of the B Class Shareholding Limit, the Directors must by notice to the relevant Member or Members that holds those B Class Shares advise the Member that if the Member fails to dispose of such shares to rectify the breach of the B Class Shareholding Limit within 14 days of notice from the Company requiring the breach to be rectified (the last day of such period being referred to in this Rule 4.6 as the "Disposal Date"), that the Directors will procure the disposal of such shares in accordance with Rule 4.6(b).
- (b) If the requirements of a notice given under Rule 4.6(a) to a Member are not complied with by the Disposal Date, the Directors must register transfers to the Sale Nominee of such number of shares as will ensure that after the transfer to the Sale Nominee the holder is not then in breach of the B Class Shareholding Limit and must as soon as practicable after the transfer to the Sale Nominee notify the Member of the number of shares transferred (the "Sale Shares"). If two or more Members together hold B Class Shares in breach of the B Class Shareholding Limit, the Directors may specify which of the B Class Shares of those Members will be the Sale Shares.
- (c) In effecting a transfer under Rule 4.6(b):
- (i) each Member from whom Sale Shares are to be transferred to the Sale Nominee appoints the Company and each of the Directors jointly and severally as its attorney in its name and on its behalf to execute any documents and implement any procedures as may be required to procure the transfer of the Sale Shares on behalf of the holder to the Sale Nominee; and
  - (ii) the title of the Sale Nominee to any Sale Shares so transferred is not affected by any irregularity or invalidity in connection with the transfer of the Sale Shares to the Sale Nominee including, without limitation, the absence of any share certificate.
- (d) As soon as is reasonably practicable after the Sale Shares are transferred to the Sale Nominee in accordance with Rule 4.6(b), the Sale Nominee must sell the Sale Shares in such manner, at such prices and at such times as the Sale Nominee sees fit and determines (acting reasonably and in good faith) with the objectives of:
- (i) achieving the best price for the Sale Shares that is reasonably obtainable at the time of the relevant sale; and
  - (ii) ensuring all sales of the Sale Shares are effected on ASX in the ordinary course of trading,
- and none of the Company, the Directors, or the Sale Nominee shall be required to warrant that any particular (relative or absolute) sale price in respect of the Sale Shares will be achieved.
- (e) As soon as practicable after the sale of Sale Shares, the Sale Nominee must:
- (i) pay to the Company (from the proceeds of the sale of the Sale Shares) an amount specified by the Directors as being equal to the reasonable transaction costs and expenses (including applicable brokerage, stamp duty and other taxes or charges) incurred by the Company as a result of the transfer of the Sale Shares to the Sale Nominee; and
  - (ii) pay the Sale Consideration to the relevant Designated Member.

The Sale Nominee may retain from the proceeds of the sale of the Sale Shares an amount equal to its reasonable transaction costs (including applicable brokerage, stamp duty and other taxes and charges) incurred by the Sale Nominee as a result of the sale of the Sale Shares.

The net amount payable to the relevant Designated Member may be paid by cheque posted to the relevant address appearing in the Register immediately before the transfer of the Sale Shares to the Sale Nominee.

- (f) In effecting a sale under Rule 4.6(d), the Sale Nominee may arrange to sell shares either all together or in a number of parcels, immediately or over a period of time, in such manner and on such terms as the Sale Nominee in its absolute discretion determines.
- (g) Nothing in this Rule 4 shall be taken to limit the right of the Company to exercise any other power or remedy that may be open to the Company where the Directors are of the opinion that there has been a contravention of the Corporations Act, the limitations in this Rule 4 or any other law.
- ~~(a) If the Directors are of the opinion that a Member holds B Class Shares in breach of Rule 4.2, the Directors may by a written transfer notice to the Member require that the Member dispose of a number of B Class Shares to remedy that breach. The number of B Class Shares required to be disposed of will be specified in the transfer notice.~~
- ~~(b) If the requirements of the transfer notice given under this Rule are not complied with by such Member to the satisfaction of the Directors within the time specified in the transfer notice the Directors may:~~
- ~~(i) cause such number of B Class Shares held by such Member as was specified in the transfer notice (or any lesser number of such B Class Shares) to be sold by a person nominated by the Directors, at the best price or prices which the person so appointed by the Directors is able to obtain within a reasonable time after the B Class Shares in question are offered for sale;~~
- ~~(ii) register the transfer of the B Class Shares notwithstanding that the certificates for the B Class Shares to be transferred may not have been delivered to the Company and issue new certificates to the transferee; and~~
- ~~(iii) appoint a person on behalf of such Member to execute the transfer of the B Class Shares being sold and to receive the purchase money.~~
- ~~(c) The entry of the name of any purchaser of B Class Shares in the Register in respect of B Class Shares purchased under this Rule shall be final and binding on every Member.~~
- ~~(d) The purchase money received on any sale under this Rule less the expenses of sale shall be paid to the Member whose B Class Shares were sold provided that the Member has delivered to the Company for cancellation the certificate relating to the B Class Shares.~~
- ~~(e)~~(h) A If a Member that holds B Class Shares in breach of Rule 4.2 the B Class Shareholding Limit, all rights of the Member in respect of the B Class Shares which the Member holds in excess of the B Class Shareholding Limit are suspended, including without limitation, any right:~~does not, while the breach continues, have any right:~~
- ~~(i) to vote at any meeting of B Class Shareholders; or~~
- ~~(ii) to receive any dividend or other distribution made by the Company in relation to those B Class Shares held by that Member; or~~

(iii) participate in a winding up of the Company.

~~(f)~~(i) At any meeting of B Class Shareholders:

- (i) a ruling by the chairperson of that meeting that a Member does not have a right to vote in respect of the B Class Shares which the Member holds in excess of the B Class Shareholding Limit for the reasons set out in Rule 4.6(h)~~4.5(e)~~ will be final and bind the Member concerned; and
- (ii) no resolution will be invalid by reason only that it is subsequently determined that a Member voted on that resolution in respect of the B Class Shares which the Member holds in excess of the B Class Shareholding Limit when that Member did not have a right to vote for the reasons set out in Rule 4.6(h)~~4.5(e)~~.

(j) A Member who is paid a dividend or other distribution to which the Member is not entitled for the reasons set out in Rule 4.6(h)~~4.5(e)~~, must refund that dividend or distribution to the Company promptly upon receipt of written notice from the Company requiring the amount to be refunded. The Company has a first and paramount lien on any B Class Shares on which a payment referred to in this Rule 4.6(j)~~4.5(g)~~ is made and may enforce that lien in the manner specified in Rule 8.5 as if the amount repayable to the Company were an amount unpaid on those B Class Shares.

(k) If two or more Members hold B Class Shares in breach of the B Class Shareholding Limit, the Directors may specify which of the B Class Shares of those Members will be suspended for the purposes of Rules 4.6(h) to 4.6(j).

## 4.7 Definitions

For the purposes of Rules 4.1 to 4.6:

(a) a person will be deemed to hold a Share if that person has a relevant interest, ~~as defined in the Act,~~ in that Share;

~~(a)~~(b) subject to paragraph (c) of this Rule, an Associate of another person ("primary person") means:

(i) if the primary person is a body corporate:

(A) a director or secretary of the body corporate, its ~~R~~Related ~~B~~Bodies ~~C~~Corporate and a director or secretary of any of its ~~R~~Related ~~B~~Bodies ~~C~~Corporate;

(B) a body corporate that the primary person controls;

(C) a body corporate that controls the primary person; or

(D) a body corporate that is controlled by an entity that controls the primary person;

~~(i)~~(ii) a person with whom the primary person has entered into, or proposes to enter into, a relevant agreement, as defined in the Corporations Act, for the purpose of controlling or influencing the composition of the Board or the conduct of the Company's affairs; or

~~(ii)~~(iii) a person with whom the primary person is acting, or proposes to act, in concert in relation to the Company's affairs;

~~(b)~~(c) a person is not an Associate of another person merely because the person has been appointed as the proxy, representative or attorney of the other person provided that:

- (i) the appointment is for one meeting only; and
  - (ii) neither the person nor any of their Associates gives valuable consideration for the appointment;-
- (d) “Designated Member” means a Member in respect of whom the Directors have given a notice in accordance with Rule 4.6(b);
- (e) “Disposal Date” has the meaning given in Rule 4.6(a);
- (f) “Sale Consideration” means the aggregate price received (net of reasonable transaction costs and expenses, including applicable brokerage, stamp duty and other taxes or charges incurred by the Company or the Sale Nominee as a result of either the transfer of the Sale Shares to the Sale Nominee or the sale of the Sale Shares by the Sale Nominee, respectively) for the Sale Shares sold pursuant to the Sale Facility by the Sale Nominee in respect of a Designated Member;
- (g) “Sale Facility” means the arrangement under which a Designated Member is required to transfer their shares to the Sale Nominee on the basis that the Sale Nominee is entered in the Register in respect of those Sale Shares, and will sell the Sale Shares for cash to pay the Sale Consideration to the relevant Designated Member;
- (h) “Sale Nominee” means a financial services licensee appointed by the Company to carry out the role described in Rule 4.6; and
- (i) “Sale Shares” has the meaning given in Rule 4.6(b).

## 5 Rights applicable to shares generally

### 5.1 A Class Shares

Each A Class Share confers on its holder:

- (a) the right to receive notice of, attend and, subject to Rule 4.5, vote at all general meetings of the Company;
- ~~(a)~~(b) the right to receive notice of and attend all meetings of another class of Members, but no right to vote at those other class meetings;
- ~~(b)~~(c) the right to be repaid the amount paid up on the Class A Share on redemption or winding up of the Company in preference to all other Shareholders; and
- ~~(c)~~(d) no right to participate in any dividends or distributions (other than as provided in paragraph (c)~~(b)~~) made by the Company.

### 5.2 B Class Shares

Each B Class Share confers on its holder:

- (a) the right to receive dividends declared and other distributions made by the Company from time to time;
- (b) the right to participate equally with other B Class Shareholders in the distribution of surplus on a winding up the Company; and
- (c) the right to receive notice of and attend all general meetings of the Company, but no right to vote at general meetings.



### 5.3 Redemption of A Class Shares

Subject to Rules 5.4 and 5.5, the Directors may redeem the A Class Share held by a Member if:

- (a) the whereabouts of the Member are not presently known to the Company and have not been known to the Company for a continuous period of at least two years before the date on which redemption takes place;
- (b) at any time after 30 June 2006, the Member is not an Active Grower;
- (c) the Member or their Approved Entity does not hold a number of B Class Shares which is not less than the Minimum B Shareholding within three years of becoming a Member; or
- (d) a breach of Rule 4.1 exists in relation to the A Class Share.

The Directors shall redeem the A Class Share held by a Member upon the occurrence of a Transmission Event in relation to the Member.

### 5.4 Redemption Process for A Class Shares

A Class Shares are redeemable by the Directors:

- (a) giving written notice of redemption to the holder; and
- (b) repaying to the holder the amount (if any) paid up on the A Class Share redeemed.

### 5.5 Deferral of Redemption of A Class Shares

Rule 5.3(b) does not oblige the Directors to redeem the A Class Share of a Member immediately upon the Member ceasing to be an Active Grower and, without limiting the Directors' discretion under that Rule, the Directors may defer redemption of the A Class Share of a Member if the Directors believe that the Member will resume being an Active Grower.

### 5.6 Variation of Class Rights

(a) The rights attaching to Shares in any class of Share may be varied or cancelled by:

- ~~(a)(i)~~ a special resolution of the Company, voted on by those Members entitled to attend and vote at general meetings of the Company; and
- ~~(b)(ii)~~ a special resolution passed at a meeting of the class of Members holding Shares in the affected class.

~~The provisions of this Constitution applicable to general meetings will apply with any necessary changes, to a meeting of a class of Members. For the avoidance of doubt, at a class meeting of B Class Shareholders, each B Class Shareholder shall have one vote on a show of hands and, on a poll, one vote for each B Class Share held~~

(b) Without limiting the circumstances that would be considered a variation or cancellation of class rights at general law, a variation of the rights attaching to the B Class Shares will be taken to occur when there is:

- (i) a transaction involving the Company or any transfer of Shares or any restructure of the Company or amendment to the Constitution that will result in a person acquiring a relevant interest in Shares if the acquisition of the relevant interest would cause that person or someone else's voting power in any Shares or any class of Shares to increase from 10% or below to more than 10%;

- (ii) a sale or other disposal of the main undertaking of the Company (which will be treated as including a joint venture of the main undertaking with a person other than the Company or its Related Bodies Corporate and the issue of securities in subsidiaries that hold the main undertaking to a person other than the Company or its subsidiaries) or a sale or other disposal of all or substantially all of the profit businesses (being the businesses other than the rice pool business) of the Company and its Related Bodies Corporate;
- (iii) a scheme of arrangement effecting a compromise or arrangement of the Members or any class of Members;
- (iv) the issue of financial products by the Company (other than B Class Shares) that have dividend rights or other rights to participation in the profits of the Company;
- (v) a variation or cancellation of the rights attaching to the A Class Shares that adversely affects the rights or the economic interests of the holders of the B Class Shares (which will be treated as including the conversion of any A Class Share into other shares or a variation to the rights to be paid amounts on redemption or winding up as provided for in this Constitution);
- (vi) the issue of a new class of Shares or the variation or cancellation of the rights attaching to such a new class of Shares;
- (vii) a reduction of capital or buy-back of any Shares (except for any reduction of capital that may occur in undertaking a redemption of A Class Shares pursuant to Rule 5.3 of this Constitution or any buy-back of B Class Shares permitted under the Corporations Act without approval by a resolution passed at a general meeting);
- (viii) a decision by A Class Shareholders to wind up the Company; or
- (ix) an amendment to the Constitution that adversely affects the rights or the economic interests of the holders the B Class Shares (which will be treated as including any amendment to Rule 4.2, Rule 4.6, Rule 5.2, this Rule 5.6 and Rule 10.2(a)(ii)).
- (c) For the purpose of paragraph (b) and the determination of whether a person has voting power in B Class Shares, B Class Shares:
  - (i) shall be deemed to be voting shares of the Company; and
  - (ii) section 610(1) and (2) of the Corporations Act shall be modified so that the number of votes attaching to voting shares and the total number of votes shall be votes that may be cast at a meeting held for purposes of paragraph (a)(ii).
- (d) For the avoidance of doubt, any change to the definitions of Active Grower, the A Class Shareholding Limit, the Minimum B Shareholding and the Director composition and appointment provisions of Rule 11 will not constitute a variation of the rights attaching to the B Class Shares.

## 5.7 Re-classification of Shares

Subject to this Constitution, the Company may re-classify or convert Shares from one class to another by special resolution.

## **6 Supplier Members**

### **6.1 Dealings with Supplier Members**

In accordance with its primary objects, the Company may acquire paddy rice from Supplier Members. The Company may enter into contracts with such Supplier Members in connection with the production or supply of paddy rice.

### **6.2 Payment arrangements**

The Directors may declare and pay bonuses to Supplier Members in respect of their supply of paddy rice to the Company.

### **6.3 Provision of Services**

The Company may provide services to Supplier Members in connection with their production or supply of paddy rice and enter into contracts with Supplier Members in relation to those services.

### **6.4 No limit on dealings**

Rules 6.1, 6.2 and 6.3 do not limit the ways in which the Company may deal with Supplier Members.

## **7 Shareholding details**

### **7.1 Equitable and other claims**

- (a) Except as otherwise required by law or provided by this Constitution, the Company is entitled to treat the registered holder of a Share as the absolute owner of that Share and is not:
  - (i) compelled in any way to recognise a person as holding a Share upon any trust, even if the Company has notice of that trust; or
  - (ii) compelled in any way to recognise, or be bound by, any equitable, contingent, future or partial claim to or interest in a Share on the part of any other person except an absolute right of ownership in the registered holder, even if the Company has notice of that claim or interest.
- (b) With the consent of the Directors, Shares held by a trustee may be marked in the Register in such a way as to identify them as being held subject to the relevant trust.
- (c) Nothing in Rule 7.1(b) limits the operation of Rule 7.1(a).

### **7.2 Certificates**

The Company will issue share certificates to Members if required by the [Corporations](#) Act. To the extent permitted by the [Corporations](#) Act, the Board may resolve not to issue certificates for Shares or to cancel certificates for Shares and not issue replacement certificates.

### **7.3 Joint holders of Shares**

Where two or more persons are registered as the holders of a Share they hold it as joint tenants with rights of survivorship subject to the following provisions:

- (a) they and their respective legal personal representatives are liable severally as well as jointly for all payments, including calls, which ought to be made in respect of the Share;
- (b) subject to Rule 7.1(a), on the death of any one of them the survivor or survivors are the only person or persons the Company will recognise as having any title to the Share;
- (c) any one of them may give effectual receipts for any dividend, interest or other distribution or payment in respect of the Share;
- (d) the Company is not bound to issue more than one certificate in respect of the Share; and
- (e) delivery of a certificate for the Share to any one of them is sufficient delivery to all of them.

## 8 Calls, forfeiture, indemnities, lien and surrender

### 8.1 Calls

- (a) Subject to this Constitution, [the Listing Rules](#) and ~~to~~ the terms upon which any Share may be issued, the Directors may make calls upon the Members in respect of any money unpaid on their Shares which is not by the terms of issue of those Shares made payable at fixed times.
- (b) A call may be required by the Directors to be paid by instalments.
- (c) Upon receiving at least ten Business Days' notice specifying the time and place of payment ([or any other period required by the Listing Rules](#)), each Member must pay to the Company by the time and at the place so specified the amount called on the Member's Shares.
- (d) A call is to be taken as having been made when the resolution of the Directors authorising the call was passed.
- (e) The Directors may revoke a call.
- (f) The non-receipt of a notice of a call by, or the accidental omission to give notice of a call to, any Member does not invalidate the call.
- (g) If a sum called in respect of a Share is not paid in full by the day appointed for payment of the sum, the person from whom the sum is due must pay:
  - (i) interest on so much of the sum as is unpaid from time to time, from the date appointed for payment of the sum to the date of actual payment, at a rate determined under Rule 8.9; and
  - (ii) any costs, expenses or damages incurred by the Company in relation to the non-payment or late payment of the sum.
- (h) [Subject to any notice requirements under the Listing Rules](#), ~~Any~~ any sum unpaid on a Share that, by the terms of issue of the Share, becomes payable on allotment or at a fixed date:
  - (i) is to be treated for the purposes of this Constitution as if that sum was payable pursuant to a call duly made and notified; and

- (ii) must be paid on the date on which it is payable under the terms of issue of the Share.
- (i) The Directors may, to the extent permitted by law, waive or compromise all or any part of any payment due to the Company under the terms of issue of a Share or under this Rule 8.1.

## **8.2 Proceedings for recovery of calls**

- (a) In an action or other proceedings for the recovery of a call, or interest or costs or expenses incurred in relation to the non-payment or late payment of a call, proof that:
  - (i) the name of the defendant is entered in the Register as the holder or one of the holders of the Shares in respect of which the call is claimed;
  - (ii) the resolution making the call is recorded in the minute book; and
  - (iii) notice of the call was given to the defendant in accordance with this Constitution,

is conclusive evidence of the debt and it is not necessary to prove the appointment of the Directors who made the call or any other matter.
- (b) In Rule 8.2(a), “defendant” includes a person against whom a set-off or counter-claim is alleged by the Company and “action or other proceedings for the recovery of a call” is to be construed accordingly.

## **8.3 Payments in advance of calls**

- (a) The Directors may accept from a Member the whole or a part of the amount unpaid on a Share although no part of that amount has been called.
- (b) The Directors may authorise payment by the Company of interest upon the whole or any part of an amount accepted under Rule 8.3(a), until the amount becomes payable, at a rate agreed between the Directors and the Member paying the amount (but which must not exceed six per cent (6%) per annum unless approved by the Company in general meeting).
- (c) The Directors may repay to a Member all or any of the amount accepted under Rule 8.3(a).

## **8.4 Forfeiture of partly paid Shares**

- (a) If a Member fails to pay the whole of a call or instalment of a call by the time appointed for payment of the call or instalment, the Directors may serve a notice on that Member:
  - (i) requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued and all costs, expenses or damages that may have been incurred by the Company by reason of the non-payment or late payment of the call or instalment;
  - (ii) naming a further day (at least 14 days after the date of service of the notice) by which, and a place at which, the amount payable under Rule 8.4(a)(i) is to be paid; and
  - (iii) stating that, in the event of non-payment of the whole of the amount payable under Rule 8.4(a)(i) by the time and at the place named, the Shares in respect of which the call was made will be liable to be forfeited.

- (b) If the requirements of a notice served under Rule 8.4(a) are not complied with, the Directors may by resolution forfeit any Shares in respect of which the notice was given at any time after the day named in the notice and before the payment required by the notice is made.
- (c) A forfeiture under Rule 8.4(b) will include all dividends, interest and other money payable by the Company in respect of the forfeited Shares and not actually paid before the forfeiture.
- (d) Where Shares have been forfeited:
  - (i) notice of the resolution passed pursuant to Rule 8.4(b) must be given to the Member in whose name the Shares stood immediately before the forfeiture; and
  - (ii) an entry of the forfeiture, with the date, must be made in the Register.
- (e) Failure to give the notice or to make the entry required under Rule 8.4(d) does not invalidate the forfeiture.
- (f) A forfeited Share becomes the property of the Company and the Directors may, subject to this Constitution, sell, reissue or otherwise dispose of the Shares in such manner as they think fit and, in the case of reissue or other disposal, with or without any money paid on the Shares by any former holder being credited as paid up.
- (g) A person whose Shares have been forfeited ceases to be a Member in respect of the forfeited Shares, but remains liable to pay, and must immediately pay, to the Company:
  - (i) all calls, instalments, interest, costs, expenses and damages owing in respect of the Shares at the time of the forfeiture; and
  - (ii) interest on so much of the amount payable under Rule 8.4(g)(i) as is unpaid from time to time, from the date of the forfeiture to the date of actual payment, at a rate determined under Rule 8.9.
- (h) Except as otherwise provided by this Constitution, the forfeiture of a Share extinguishes all interest in, and all claims and demands against the Company in respect of, the forfeited Share and all other rights incident to the Share.
- (i) The Directors may:
  - (i) exempt a Share from all or any part of this Rule 8.4;
  - (ii) waive or compromise all or any part of any payment due to the Company under this Rule 8.4; and
  - (iii) before a forfeited Share has been sold, reissued or otherwise disposed of, annul the forfeiture upon such conditions as they think fit.

## **8.5 Lien on Shares**

- (a) The Company has a first and paramount lien on:
  - (i) each partly paid Share for all unpaid calls and instalments due in respect of that Share; and
  - (ii) each Share for such amounts (if any) as the Company may be called upon by law to pay (and has paid) in respect of that Share.



- (b) The Company's lien on a Share extends to all dividends payable in respect of the Share and to the proceeds of sale of the Share.
- (c) The Directors may sell any Shares on which the Company has a lien in such manner as they think fit where:
  - (i) an amount in respect of which a lien exists under this Rule 8.5 is presently payable; and
  - (ii) the Company has, not less than 14 days before the date of the sale, given to the registered holder of the Shares a notice in writing setting out, and demanding payment of, such amount in respect of which the lien exists as is presently payable and stating that, upon failure to make payment of the sum demanded within the time stipulated, the Shares will be sold.
- (d) Where the highest offer received by the Directors is less than the amount paid up on Shares to be sold, the Directors shall, before accepting the offer, notify the Member of the receipt of such offer and the amount of the offer, and of the Directors' intention to accept the offer at the expiration of 14 days, if no payment is made before then to the Company of all moneys in respect of which the charge exists.
- (e) From the proceeds of any such sale the Company may deduct the expenses, if any, associated with the sale and may apply the balance to reduce the liability of the Member. However, if a surplus remains after such deduction the surplus shall be payable to the Member whose Shares were sold.
- (f) For giving effect to any such sale the Directors may authorise a person to transfer the Shares sold to the purchaser of them.
- (g) Registration by the Company of a transfer of Shares on which the Company has a lien without giving to the transferee notice of its claim releases the Company's lien in so far as it relates to sums owing by the transferor or any predecessor in title.
- (h) The Directors may:
  - (i) exempt a Share from all or any part of this Rule 8.5; and
  - (ii) waive or compromise all or any part of any payment due to the Company under this Rule 8.5.

## **8.6 Surrender of Shares**

- (a) The Directors may accept a surrender of a Share by way of compromise of any claim as to whether or not that Share has been validly issued or in any other case where the surrender is within the powers of the Company.
- (b) Any Share so surrendered may be sold, reissued or otherwise disposed in the same manner as a forfeited Share under Rule 8.4.

## **8.7 Indemnity for payments by the Company**

If the Company becomes liable under any law to make any payment:

- (a) in respect of Shares held solely or jointly by a Member;
- (b) in respect of a transfer or transmission of Shares by a Member;
- (c) in respect of dividends, bonuses or other money due or payable or which may become due and payable to a Member; or

(d) otherwise for or on account of or in respect of a Member,

whether as a consequence of:

(e) the death of that Member;

(f) the non-payment of any income tax, capital gains tax, wealth tax or other tax by that Member or the legal personal representative of that Member;

(g) the non-payment of any estate, probate, succession, death, stamp or other duty by that Member or the legal personal representative of that Member; or

(h) any other act or thing,

then, in addition to any right or remedy that law may confer on the Company:

(i) the Member or, if the Member is dead, the Member's legal personal representative must:

(i) fully indemnify the Company against that liability;

(ii) reimburse the Company for any payment made under or as a consequence of that law immediately on demand by the Company; and

(iii) pay interest on so much of the amount payable to the Company under Rule 8.7(i)(ii) as is unpaid from time to time, from the date the Company makes a payment under that law until the date the Company is reimbursed in full for that payment under Rule 8.7(i)(ii), at a rate determined under Rule 8.9.

(j) The Directors may:

(i) exempt a Share from all or any part of this Rule 8.7; and

(ii) waive or compromise all or any part of any payment due to the Company under this Rule 8.7.

## **8.8 General provisions applicable to a disposal of Shares under this Constitution**

(a) A reference in this Rule 8.8 to a "disposal of Shares under this Constitution" is a reference to:

(i) any sale, reissue or other disposal of a forfeited Share under Rule 8.4 or a surrendered Share under Rule 8.6; and

(ii) any sale of a Share on which the Company has a lien under Rule 8.5.

(b) Where any Shares are "disposed of under this Constitution", the Directors may:

(i) receive the purchase money or consideration given for the Shares on the disposal;

(ii) effect a transfer of the Shares and execute, or appoint a person to execute, on behalf of the former holder an instrument of transfer of the Shares or any other instrument for the purpose of giving effect to the disposal; and

(iii) register as the holder of the Shares the person to whom the Shares have been "disposed of under this Constitution".

(c) A person to whom Shares are "disposed of under this Constitution" is not bound to see to the regularity or validity of, or to the application of the purchase money or

consideration on, the disposal and the title of that person to the Shares is not affected by any irregularity or invalidity in the forfeiture or surrender of the Shares or the exercise of the Company's lien on the Shares (as the case may be).

- (d) The remedy of any person aggrieved by a "disposal of Shares under this Constitution" is limited to damages only and is against the Company exclusively.
- (e) The proceeds of a "disposal of Shares under this Constitution" must be applied in the payment of:
  - (i) the expenses of the disposal; and then
  - (ii) all money presently payable by the former holder whose Shares have been "disposed of under this Constitution"; and then
  - (iii) the balance (if any) must be paid (subject to any lien that exists under Rule 8.5 in respect of money not presently payable) to the former holder on the former holder delivering to the Company the certificate for the Shares that have been "disposed of under this Constitution" or such other proof of title as the Directors may accept.
- (f) A statement in writing signed by a Director or secretary of the Company to the effect that a Share in the Company has been:
  - (i) duly forfeited under Rule 8.4;
  - (ii) duly sold, reissued or otherwise disposed of under Rule 8.4 or Rule 8.6 of this Constitution; or
  - (iii) duly sold under Rule 8.5,

on a date stated in the statement is conclusive evidence of the facts stated in the statement as against all persons claiming to be entitled to the Share and of the right of the Company to forfeit, sell, reissue or otherwise "dispose of the Share under this Constitution".

## **8.9 Interest payable by Member**

- (a) For the purposes of Rules 8.1(g)(i), 8.4(g)(ii) and 8.7(i)(iii), the rate of interest payable to the Company is:
  - (i) if the Directors have fixed a rate, the rate so fixed; or
  - (ii) in any other case, six per cent (6%) per annum.
- (b) Interest payable under Rules 8.1(g)(i), 8.4(g)(ii) and 8.7(i)(iii) accrues daily and may be capitalised monthly or at such other intervals as the Directors think fit.

## **9 Transfer and transmission of shares**

### **9.1 No Transfer of A Class Shares**

A Class Shares cannot be transferred to any person.

### **9.2 ~~Not used~~ No Transfer of B Class Shares in Initial Period**

~~B Class Shares can not be transferred to any person during the Initial Period except as provided in Rule 9.3.~~

### 9.3 ~~Limited exceptions during Initial Period~~ Not used

~~Rule 9.2 does not prevent:~~

- ~~(a) the transmission of B Class Shares into the name of a person who becomes entitled to B Class Shares as a result of a Transmission Event;~~
- ~~(b) the transfer of B Class Shares to a Member or an Approved Entity of a Member as part of an Approved Rearrangement;~~
- ~~(c) the transfer of B Class Shares by a Member to their Approved Entity; or~~
- ~~(d) the buy back of B Class Shares by the Company in accordance with the Act.~~

### 9.4 ~~Transfer of B Class Shares~~ Not used

~~After the Initial Period B Class Shares can only be transferred:~~

- ~~(a) to a Member;~~
- ~~(b) to an Approved Entity of a Member;~~
- ~~(c) to a person who is a joint holder of Shares and is approved by the Board in its absolute discretion;~~
- ~~(d) into the name of a person who becomes entitled to B Class Shares upon the occurrence of a Transmission Event in accordance with Rule 9.8; or~~
- ~~(e) pursuant to a buy back of B Class Shares by the Company in accordance with the Act.~~

### 9.5 General Requirements for Transfer

- (a) Subject to this Constitution and the Listing Rules ~~in particular Rules 9.2, 9.3 and 9.4, B Class Shares may be transferred by a form of written instrument that complies with the Act and is approved by the Directors.~~ are transferable:
  - (i) as provided by the Operating Rules of an applicable CS Facility; or
  - (ii) by any other method of transfer which is required or permitted by the Corporations Act and ASX.
- (b) Except as provided by any applicable Operating Rules of a CS Facility, ~~A~~ a transferor of Shares remains the holder of the Shares transferred until the transfer is registered and the name of the transferee is entered in the Register in respect of the Shares.
- (c) The Company must not charge a fee for the registration of a transfer of Shares, except, in the case of Shares quoted on ASX, where a charge is permitted by the Listing Rules.
- (d) An instrument of transfer referred to in Rule 9.5(a)(ii) ~~9.5(a)~~ must:
  - (i) be signed by or on behalf of both the transferor and the transferee unless:
    - (A) the instrument of transfer relates only to fully paid Shares and signature by the transferee has been dispensed with by the Directors; or
    - (B) the transfer of the Shares is effected by a document which is, or documents which together are, a sufficient transfer of those Shares under the Corporations Act;

- (ii) if required by law to be stamped, be duly stamped;
- (iii) if so required by the Directors either generally or in any particular case, include or be accompanied by a statutory declaration in a form prescribed by the Directors made by the transferee containing such particulars as may be required by the Directors to enable them to make a decision on whether to register the transfer; and
- (iv) be left for registration at the registered office of the Company, or at such other place as the Directors determine, accompanied by:
  - (A) the relevant share certificate(s), if any, and such other evidence (if any) as the Directors may require to prove the title of the transferor or the transferor's right to transfer the Shares; and
  - (B) such evidence (if any) as the Directors may require to prove the status and identity of the transferee.
- (e) The Company may retain any registered instrument of transfer received by the Company under Rule 9.5(d) for such period as the Directors think fit.
- (f) Except in the case of fraud, the Company must return any instrument of transfer received under Rule 9.5(d) that the Directors decline to register to the person who deposited it with the Company.
- (g) The Directors may do anything that is necessary or desirable for the Company to participate in any computerised, electronic or other system for facilitating the transfer of Shares.
- (h) The Directors may, to the extent permitted by law, waive all or any of the requirements of this Rule 9.5, whether for the purpose of giving effect to Rule 9.5(g) or otherwise.

(i) The Directors must:

- (i) request any applicable CS Facility Operator to apply a holding lock to prevent a transfer of shares in the Company from being registered on the CS Facility's subregister; or
- (ii) refuse to register any transfer of shares in the Company to which paragraph (a) does not apply,
- if:
- (iii) the Listing Rules require the Company to do so; or
- (iv) the transfer is in breach of the Listing Rules or a Restriction Agreement.

If in the exercise of their rights under Rule 9.5(i), the Directors request application of a holding lock to prevent a transfer of Shares in the Company or refuse to register a transfer of Shares, they must give written notice of the request or refusal to the holder of the Shares, the transferee and any broker lodging the transfer. Failure to give notice does not invalidate the decision of the Directors.

## **9.6 Restricted Securities**

(a) In this Rule 9.6:

- (i) dispose and disposed of have the meaning given in the Listing Rules;

(ii) Escrow Period means, in relation to Restricted Securities, the escrow period applicable to those Restricted Securities under the Listing Rules; and

(iii) Restricted Securities has the meaning given in the Listing Rules.

(b) Restricted Securities cannot be disposed of during the Escrow Period except as permitted by the Listing Rules or ASX. The Company must not acknowledge a disposal (including by registering a transfer) of Restricted Securities during the Escrow Period except as permitted by the Listing Rules or ASX.

(c) During a breach of the Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the holder of the Restricted Securities is not entitled to any dividend or distribution, or voting rights, in respect of the Restricted Securities.

#### **9.6**9.7 Not used~~[Deleted 24-8-07]~~

#### **9.7**9.8 Not used~~[Deleted 24-8-07]~~

#### **9.8**9.9 Transmission of Shares

(a) In the case of the death of a Member, the only persons the Company will recognise as having any title to the Member's B Class Shares or any benefits accruing in respect of those Shares are:

(i) the legal personal representative of the deceased where the deceased was a sole holder; and

(ii) the survivor or survivors where the deceased was a joint holder.

(b) Nothing contained in Rule 9.9(a)~~9.8(a)~~ releases the estate of a deceased Member from any liability in respect of a B Class Share, whether that Share was held by the deceased Member solely or jointly with other persons.

(c) Subject to Rule 9.9(f)~~9.8(f)~~, a person who becomes entitled to a B Class Share as a result of a Transmission Event may, upon written application (accompanied by such particulars as are required by the Directors) and the production of such evidence as the Directors may require to prove that person's entitlement to the Share, elect:

(i) to be registered as the holder of the B Class Share by signing and serving on the Company a notice in writing stating that election; or

(ii) ~~subject to Rules 9.2, 9.3 and 9.4,~~ to transfer the B Class Share.

(d) A person becoming entitled to a B Class Share as a result of a Transmission Event shall be entitled to the dividends and other advantages to which that person would be entitled if he or she were the registered holder of the Share.

(e) A person registered pursuant to Rules 9.9(c)~~9.8(e)~~ is, while so registered, subject to the same liabilities in respect of the Share as those to which that person would have been subject if the Share had remained, or had been registered in the name of the deceased, mentally incapable person or the bankrupt.

(f) The provisions of this Constitution relating to the right to transfer B Class Shares, and the registration of transfers of Shares, apply, so far as they can and with such changes as are necessary, to any transfer under Rule 9.9(c)~~9.8(e)~~ as if the relevant Transmission Event had not occurred and the transfer were executed or effected by the registered holder of the Shares. ~~Without limitation, a person who becomes entitled to B Class Shares upon the occurrence of a Transmission Event can only transfer those Shares in accordance with Rules 9.2, 9.3 and 9.4.~~



- (g) For the purpose of this Constitution, where two or more persons are jointly entitled to any B Class Share as a result of a Transmission Event they will, upon being registered as the holders of the B Class Share, be taken to hold the B Class Share as joint tenants and Rule 7.3~~7.4~~ will apply to them.
- (h) Notwithstanding this Rule ~~9.9-9.8~~, ~~but subject to Rules 9.2, 9.3 and 9.4~~, the Directors may register a transfer of B Class Shares signed by a Member prior to a Transmission Event even though the Company has notice of the Transmission Event.

## 10 General meetings

### 10.1 Convening of general meetings

- (a) The Board may, whenever it thinks fit, convene a general meeting.
- (b) A general meeting may only be convened as provided by this Rule 10.1 or as provided by the [Corporations](#) Act.
- (c) Subject to the [Corporations](#) Act, the Board may, by notice to all persons entitled to be given notice of general meetings, postpone, cancel or change the venue for a general meeting.

### 10.2 Notice of general meetings

- (a) Subject to this Constitution, ~~at least 21 days'~~ notice of a general meeting ~~must~~ be given [in accordance with the Corporations Act and the Listing Rules](#) to each person who is at the date of the notice:
  - (i) [an A Class Shareholder](#);
  - ~~(i)~~(ii) [a B Class Shareholder](#);
  - ~~(ii)~~(iii) [Director](#); or
  - ~~(iii)~~(iv) [an Auditor of the Company](#).
- (b) A notice of a general meeting must:
  - (i) specify the place, date and time of the meeting (and, if the meeting is to be held in two or more places, the technology that will be used to facilitate this) and, subject to the [Corporations](#) Act and this Constitution, state the general nature of the business to be transacted at the meeting;
  - (ii) contain any statement or information required by the [Corporations](#) Act;
  - (iii) be accompanied by a proxy form which will:
    - (A) enable the Member [entitled to vote at the meeting](#) to vote for or against, or abstain from, each resolution to be voted on at the meeting; and
    - (B) allow for the insertion by the Member [entitled to vote at the meeting](#) of the name of the person to be appointed as proxy and may also provide that, in such circumstances and on such conditions specified in the form as are not inconsistent with this Constitution, the chairperson of the relevant meeting (or another person specified in the proxy form) is appointed as proxy.

- (c) The non-receipt of notice of a general meeting or proxy form by, or a failure to give notice of a general meeting or a proxy form to, any person entitled to receive notice of a general meeting under this Rule 10.2 does not invalidate any act, matter or thing done or resolution passed at the general meeting if the non-receipt or failure occurred by accident or error.
- (d) A person's attendance at a general meeting:
  - (i) waives any objection that person may have to a failure to give notice, or the giving of a defective notice, of the meeting unless the person at the beginning of the meeting objects to the holding of the meeting; and
  - (ii) waives any objection that person may have to the consideration of a particular matter at the meeting which is not within the business referred to in the notice of the meeting, unless the person objects to considering the matter when it is presented.
- (e) A general meeting may be held at two or more venues simultaneously using any technology which gives the A Class Shareholders as a whole a reasonable opportunity to participate.
- (f) Except as otherwise provided by the [Corporations](#) Act, no person shall be at liberty to move at any meeting any resolution not previously approved of by the Directors.

### **10.3 Admission to general meetings**

The chairperson of a general meeting may refuse admission to, or require to leave and remain out of, the meeting any person:

- (a) in possession of a pictorial-recording or sound-recording device;
- (b) in possession of a placard or banner;
- (c) in possession of any article considered by the chairperson to be dangerous, offensive or liable to cause disruption;
- (d) who refuses to produce or to permit examination of any article, or the contents of any article, in the person's possession;
- (e) who behaves or threatens to behave in a dangerous, offensive or disruptive manner; or
- (f) who is not:
  - (i) a Member who has the right to attend the general meeting or a proxy, attorney or Representative of such Member;
  - (ii) a Director; or
  - (iii) an Auditor of the Company.

### **10.4 Business of annual general meetings**

- (a) The Company must hold an annual general meeting in accordance with the [Corporations](#) Act.
- (b) It is not necessary for the notice of an annual general meeting to state that the business to be transacted at the meeting includes the consideration of the annual financial statements and the reports of the Directors and Auditor and any other

business which is required by the [Corporations](#) Act to be transacted at the annual general meeting.

## **10.5 Quorum at general meetings**

- (a) No business may be transacted at any general meeting, except the election of a chairperson and the adjournment of the meeting, unless a quorum of Members is present when the meeting proceeds to business.
- (b) Ten or more A Class Shareholders who are present personally or separately represented by proxy, Representative or attorney shall be a quorum for a general meeting.
- (c) If a quorum is not present within 30 minutes after the time appointed for a general meeting:
  - (i) where the meeting was convened upon the requisition of Members, the meeting must be dissolved; or
  - (ii) in any other case:
    - (A) the meeting stands adjourned to the same day in the next week, and at the same time and place, as the Directors determine or, if no determination is made by the Directors, to the same day in the next week at the same time and place; and
    - (B) if, at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, the A Class Shareholders present shall constitute a quorum.

## **10.6 Chairperson of general meetings**

- (a) The chairperson of the Board must (if present within 15 minutes after the time appointed for the meeting and willing to act) preside as chairperson at each general meeting.
- (b) If at a general meeting:
  - (i) there is no chairperson of the Board;
  - (ii) the chairperson of the Board is not present within 15 minutes after the time appointed for the meeting; or
  - (iii) the chairperson of the Board is present within that time but is not willing to act as chairperson of the meeting,

then, if the Directors have elected a deputy chairperson of the Board, the deputy chairperson of the Board must (if present within 15 minutes after the time appointed for the meeting and willing to act) preside as chairperson at the meeting.

- (c) Subject to Rules 10.6(a) and 10.6(b), if at a general meeting:
  - (i) there is no deputy chairperson of the Board;
  - (ii) the deputy chairperson of the Board is not present within 15 minutes after the time appointed for the meeting; or
  - (iii) the deputy chairperson of the Board is present within that time but is not willing to act as chairperson of the meeting,

the A Class Shareholders present must elect as chairperson of the meeting:

- (iv) another Director who is present and willing to act; or
- (v) if no other Director willing to act is present at the meeting, an A Class Shareholder who is present and willing to act,

until such time as the chairperson of the Board attends and is willing to act.

## **10.7 Conduct of general meetings**

- (a) The chairperson of a general meeting is responsible for the general conduct of the meeting and for the procedures to be adopted at the meeting and may require the adoption of any procedures which are in his or her opinion necessary or desirable for:
  - (i) proper and orderly debate or discussion, including limiting the time that a person present may speak on a motion or other item of business before the meeting; and
  - (ii) the proper and orderly casting or recording of votes at the general meeting, whether on a show of hands or on a poll, including the appointment of scrutineers.
- (b) The chairperson of a general meeting may at any time he or she considers it necessary or desirable for the proper and orderly conduct of the meeting:
  - (i) terminate debate or discussion on any business, question, motion or resolution being considered by the meeting and require the business, question, motion or resolution to be put to a vote of the A Class Shareholders present; or
  - (ii) allow debate or discussion on any business, question, motion or resolution being considered by the meeting to continue.
- (c) The chairperson of a general meeting:
  - (i) may, subject to Rules 10.7(c)(iii) and 10.7(c)(iv), refuse to allow debate or discussion on any business, question, motion or resolution which is not within the business referred to in the notice of meeting or Rule 10.2(b);
  - (ii) may, refuse to allow any amendment to be moved to a resolution of which notice has been given under Rule 10.2(b);
  - (iii) must, in respect of an annual general meeting, allow a reasonable opportunity for the A Class Shareholders and B Class Shareholders as a whole at the meeting to ask questions about or make comments on the management of the Company; and
  - (iv) must, if the Auditor or their representative is at the meeting, allow a reasonable opportunity for the A Class Shareholders and B Class Shareholders as a whole at the meeting to ask the Auditor or their representative questions relevant to the conduct of the audit and the preparation and content of the Auditor's report.
- (d) A decision by a chairperson under Rule 10.7(a), Rule 10.7(b) or Rule 10.7(c) is final.
- (e) The chairperson of a general meeting may, with the consent of the meeting at which a quorum is present, and must, if so directed by the meeting, adjourn the meeting or any business, motion, question or resolution being considered or remaining to be

considered by the meeting either to a later time at the same meeting or to an adjourned meeting.

- (f) No business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (g) Where a meeting is adjourned, the Directors may postpone, cancel or change the venue of the adjourned meeting.
- (h) When a meeting is adjourned for 14 days or more, notice of the adjourned meeting shall be given as if the original meeting was being convened. Apart from this, it is not necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting.

## **10.8 Decisions at general meetings**

- (a) Except in the case of any resolution which as a matter of law requires a special majority or as otherwise provided in this Constitution, questions arising at a general meeting will be decided by a majority of votes cast by the A Class Shareholders present at the meeting and entitled to vote and any such decision is a decision of the Company in general meeting for all purposes.
- (b) If there is an equality of votes upon any proposed resolution the chairperson of the meeting has a casting vote in addition to his or her deliberative vote.
- (c) A resolution put to the vote of a general meeting must be decided on a show of hands, unless a poll is demanded before or immediately after the declaration of the result of the show of hands:
  - (i) by the chairperson of the meeting;
  - (ii) by at least five A Class Shareholders entitled to vote on the resolution; or
  - (iii) by A Class Shareholders representing not less than five per cent (5%) of the votes that may be cast on the resolution on a poll.
- (d) A demand for a poll does not prevent the continuance of a general meeting for the transaction of any business other than the question on which the poll has been demanded.
- (e) Unless a poll is duly demanded, a declaration by the chairperson of a general meeting that a resolution has on a show of hands been carried or carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (f) If a poll is duly demanded at a general meeting, it will be taken in such manner and either at once or after an interval or adjournment or otherwise as the chairperson of the meeting directs, and the result of the poll will be the resolution of the meeting at which the poll was demanded.
- (g) A poll demanded at a general meeting on the election of a chairperson of the meeting or on a question of adjournment shall be taken immediately.
- (h) The demand for a poll may be withdrawn.

## **10.9 Voting Rights**

- (a) Subject to this Constitution, at a general meeting on a show of hands or on a poll, every A Class Shareholder who is present in person or represented by proxy, attorney or Representative, shall have one vote.
- (b) Subject to this Constitution, in a postal ballot held under Rule 11.2 each A Class Shareholder shall have one vote.
- (c) Where a person present at a general meeting represents personally or by proxy, attorney or Representative more than one A Class Shareholder:
  - (i) on a show of hands or on a poll the person is entitled to one vote for each of the A Class Shareholder the person represents; and
  - (ii) the person must not exercise that vote in a way which would contravene any directions given to the person in accordance with Rule 10.10(f) in any instrument appointing the person as a proxy or attorney.
- (d) A joint holder of an A Class Share may vote at any general meeting in person or by proxy, attorney or Representative as if that person was the sole holder. If more than one joint holder tenders a vote, the vote of the holder named first in the Register must be accepted to the exclusion of the other or others.
- (e) The parent or guardian of an infant A Class Shareholder may vote at any general meeting upon such evidence being produced of the relationship or of the appointment of the guardian as the Directors may require and any vote so tendered by a parent or guardian of an infant A Class Shareholder must be accepted to the exclusion of the vote of the infant Member.
- (f) Where a Member holds an A Class Share upon which any call or other sum of money payable to the Company has not been duly paid the Member has no right to vote in respect of that Share.
- (g) An objection to the qualification of a person to vote at a general meeting:
  - (i) must be raised before or at the meeting at which the vote objected to is given or tendered; and
  - (ii) must be referred to the chairperson of the meeting, whose decision is final.
- (h) A vote not disallowed by the chairperson of a meeting under Rule 10.9(g) is valid for all purposes.

## **10.10 Representation at general meetings**

- (a) Subject to this Constitution, each A Class Shareholder entitled to vote at a general meeting may vote:
  - (i) in person or, where an A Class Shareholder is a body corporate, by its Representative;
  - (ii) by not more than one proxy; or
  - (iii) by not more than one attorney.
- (b) A proxy, attorney or Representative may, but need not, be a Member of the Company.
- (c) A proxy, attorney or Representative may be appointed for all general meetings, or for any number of general meetings, or for a particular general meeting.



- (d) Subject to the Corporations Act and the Listing Rules, and unless otherwise provided in the instrument, an instrument appointing a proxy, attorney or Representative will be taken to confer authority:
- (i) to agree to a meeting being convened by shorter notice than is required by the Corporations Act or by this Constitution;
  - (ii) to agree to a resolution being proposed and passed at a meeting of which less than 21 days' notice has been given;
  - (iii) to speak to any proposed resolution on which the proxy, attorney or Representative may vote;
  - (iv) to demand or join in demanding a poll on any resolution on which the proxy, attorney or Representative may vote;
  - (v) even though the instrument may refer to specific resolutions and may direct the proxy, attorney or Representative how to vote on those resolutions:
    - (A) to vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;
    - (B) to vote on any procedural motion, including any motion to elect the chairperson, to vacate the chair or to adjourn the meeting; and
    - (C) to act generally at the meeting; and
  - (vi) even though the instrument may refer to a specific meeting to be held at a specified time or venue, where the meeting is rescheduled or adjourned to another time or changed to another venue, to attend and vote at the re-scheduled or adjourned meeting or at the new venue.
- (e) The chairperson of a general meeting may require any person purporting to act as a proxy, attorney or Representative to establish to the satisfaction of the chairperson that the person has been validly appointed as a proxy, attorney or Representative and is the person named in the relevant instrument of appointment, failing which the person may be excluded from attending or voting at the meeting.
- (f) An instrument appointing a proxy or attorney may direct the manner in which the proxy or attorney is to vote in respect of a particular resolution and, where an instrument so provides, the proxy or attorney is not entitled to vote on the proposed resolution except as directed in the instrument. If it does so direct:
- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
  - (ii) if the proxy is the chairperson – the proxy must vote on a poll, and must vote that way; and
  - (iii) if the proxy is not the chairperson – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
- This Rule 10.10(f) does not affect the way that the person can cast any votes they hold as a Member.
- (g) An instrument appointing a proxy or attorney need not be in any particular form provided it is in writing, legally valid and:
- (i) in the case of a natural person, signed by the appointer;

- (ii) in the case of a body corporate, executed by the appointer; or
  - (iii) in either case, signed by the appointer's attorney.
- (h) An instrument of proxy is not invalid or ineffective merely if any or all of the following applies:-
  - (i) it does not contain the address of the Member giving it;
  - (ii) it does not contain the address of the person appointed by it;
  - (iii) it is not dated (in this case it will be taken to have been dated on the day it is given to the Company); and
  - (iv) it does not contain a direction to the appointee as to how to vote on any or all items of business.
- (i) The appointment of a proxy or attorney is not effective unless the instrument appointing the proxy or attorney, and the original or an attested copy of the power of attorney or other authority (if any) under which the instrument is signed, are received by the Company not less than 48 hours before the time for holding the general meeting or adjourned meeting or taking the poll (as the case may be). The Company receives a document under this Rule when the document is received at the Company's registered office, a fax number at the Company's registered office or at such other address, fax number or electronic address specified for the purpose in the notice of meeting.
- (j) A vote given in accordance with the terms of an instrument appointing a proxy or attorney is valid despite:
  - (i) a Transmission Event occurring in relation to the appointer; or
  - (ii) the revocation of the instrument or of the authority under which the instrument was executed,

if no notice in writing of the Transmission Event or revocation has been received by the Company by the time and at one of the places at which the instrument appointing the proxy or attorney is required to be deposited under Rule 10.10(i).
- (k) A vote given in accordance with the terms of an instrument appointing a proxy or attorney is valid despite the transfer of the Share in respect of which the instrument was given if the transfer is not registered by the time at which the instrument appointing the proxy or attorney is required to be deposited under Rule 10.10(i).
- (l) The appointment of a proxy or attorney is not revoked by the appointer attending and taking part in the general meeting but, if the appointer votes on any resolution, the proxy or attorney is not entitled to vote, and must not vote, as the appointer's proxy or attorney on the resolution.
- (m) A proxy form issued by the Company must allow for the insertion of the name of the person to be primarily appointed as proxy and may provide that, in such circumstances and on such conditions specified in the form as are not inconsistent with this Constitution, the chairperson of the relevant meeting (or another person specified in the proxy form) is appointed as proxy.

## **10.11 Meetings of B Class Shareholders**

The provisions of this Rule 10 apply, with any necessary changes as determined by the Directors, to any class meeting of B Class Shareholders or any meetings of B Class Shareholders required by the Listing Rules. For the avoidance of doubt, each B Class

Shareholder shall have one vote on a show of hands and, on a poll, one vote for each B Class Share held at such a meeting.

## 11 Directors

### 11.1 Appointment and removal of Directors

- (a) The Board will comprise up to ~~eleven~~<sup>ten</sup> (11~~40~~) Directors made up from the following categories, all of whom shall be natural persons and at least 18 years old:
- (i) up to three (3) Grower Directors who are Elected RMB Members and satisfy the qualification requirements of Rule 11.1(b)(i);
  - (ii) up to ~~three-four~~ (3~~4~~) Non-Grower Directors who satisfy the qualification requirements of Rule 11.1(b)(ii) or 11.1(b)(iii) ~~and are nominated for election by the Directors~~ provided that only one (1) of such Directors may be an employee of the Company; and
  - (iii) up to four (4) Grower Directors who satisfy the qualification requirements of Rule 11.1(b)(i) (not counting Directors elected under Rule 11.1(a)(i)).
- (b) A person is not eligible to be appointed or elected as a Director of the Company unless that person:
- (i) holds, or is the Representative of a body corporate that holds, an A Class Share; or
  - (ii) is an employee of the Company; or
  - (iii) is, in the opinion of the Directors, a person with appropriate experience to be appointed or elected as a Director.
- (c) The minimum number of Directors is three (3) and at least two (2) of the Directors must ordinarily reside in Australia.
- ~~(d) — Upon registration of the Co-operative as a company under Part 5B.1 of the Act, the Initial Directors will comprise the Board. The Initial Directors will hold office on the terms and conditions set out in this Constitution.~~
- ~~(e)~~(d) If a casual vacancy arises on the Board, it may be filled by the election or appointment of a new Director who satisfies the qualification requirements applicable to the position left vacant by resolution of:
- (i) A Class Shareholders in general meeting; or
  - (ii) the Board.
- A Director elected by resolution of the A Class Shareholders under this Rule holds office for the same period that would have applied to the former Director whose position was filled had that former Director continued in office. Subject to Rule 11.1(j). ~~A~~<sup>a</sup> Director appointed ~~elected~~ under this Rule by the Board holds office until the end of the next annual general meeting.
- ~~(f)~~(e) Elected RMB Members who satisfy the qualification requirements of Rule 11.1(b)(i) and consent to act, will be appointed as Grower Directors for the same period as their term of office as elected RMB Members. Such appointment will be made:
- (i) by the ~~Directors under Rule 11.1(e)~~<sup>Board</sup> on the basis that their appointment will be confirmed by the Members at the next ~~A~~<sup>annual</sup> ~~g~~<sup>General</sup> ~~M~~<sup>meeting</sup>; or

- (ii) by A Class Shareholders in general meeting.

~~(g)(f)~~ ~~The Initial Directors who satisfy the qualification requirements of Rule 11.1(a)(iii) will hold office until the completion of the annual general meeting in 2007.~~ Elections for the Directors who satisfy the qualification requirements of Rule 11.1(a)(iii) will be held in accordance with Rule 11.2 and the elected Directors will hold office for four (4) years or such other period as the A Class Shareholders may determine concluding at the end of the annual general meeting in the last year of their term of office.

~~(h)(g)~~ ~~Directors referred to in Rule 11.1(a)(ii) Subject to Rule 11.1(a)(ii), a person will be nominated by the Board who satisfies the qualification requirements may be and elected as a Non-Grower Director by A Class Shareholders in general meeting for such term as the A Class Shareholders may determine. The Initial Directors who satisfy the qualification requirements of Rule 11.1(a)(ii) will hold office until the end of the Company's first annual general meeting.~~

~~(h)~~ (h) A Class Shareholders in a general meeting may:

- (i) by resolution in accordance with section 203D of the Corporations Act remove a Director from office; and
- (ii) by resolution fill the office vacated by electing another person who satisfies the qualifications applicable to the former Director who was removed from office.

A person elected as a Director under this Rule holds office for the same period as would have applied to the former Director whose position was filled if that former Director had continued in office.

(i) A person may only be elected to the office of a Director if the person has consented in writing to act as a Director. This does not apply to a Director retiring from office and standing for re-election.

(j) The managing Director of the Company is not subject to the retirement requirements under this Rule 11.1.

## 11.2 Election of ~~Active~~ Grower Directors

(a) Grower Directors who satisfy the qualification requirements of Rule 11.1(b)(i) ~~11.1(a)(iii)~~ will be elected:

- (i) by the A Class Shareholders at the annual general meeting which marks the end of the current Directors' term of office; or
- (ii) by postal ballot vote of the A Class Shareholders held prior to the annual general meeting which marks the end of the current Directors' term of office.

(b) The method of election and the manner in which the election is conducted under Rule 11.2(a) will be determined by the Board subject to the requirements of the Corporations Act.

(c) A person may only be elected as a Grower Director under Rule 11.2(a) if:

- (i) he or she is a Director whose term of office is concluding under Rule 11.1(e) or Rule 11.1(f) ~~Rule 11.1(g)~~; or
- (ii) written notice of his or her nomination for the position of Director signed by two (2) or more A Class Shareholders has been given to the Company before the date fixed by the Board for the closing of nominations.

### 11.3 Vacation of office

In addition to the circumstances prescribed by the [Corporations](#) Act, the office of a Director becomes vacant if the Director:

- (a) becomes of unsound mind or a person who is, or whose estate is, liable to be dealt with in any way under the law relating to mental health;
- (b) becomes bankrupt or insolvent or makes any arrangement or composition with his or her creditors generally;
- (c) is convicted of a felony and the Directors do not within one month of that conviction resolve to confirm the Director's appointment or election (as the case may be) to the office of Director;
- (d) fails to attend meetings of the Directors for more than three consecutive months without leave of absence from the Directors;
- (e) resigns by notice in writing to the Company; or
- (f) ceases to satisfy the qualification requirements on which the Director was elected.

### 11.4 Remuneration of Directors

~~(a)~~ [Subject to the Listing Rules](#), ~~E~~each non-executive Director is to be paid:

~~(i)~~ ~~the remuneration approved as the remuneration of directors of the Co-operative prior to its registration as a company; or~~

~~(ii)~~ [\(a\)](#) — such ~~other~~ remuneration as is approved by the Company in general meeting from time to time.

(b) [Subject to the Listing Rules](#), ~~T~~he remuneration of non-executive Directors:

- (i) may be a stated allowance or a fixed sum for attendance at each meeting of Directors or both; or
- (ii) may be a share of a fixed sum determined by the Company in general meeting to be the remuneration payable to all Directors which is to be divided between the Directors in the proportions agreed between them or, failing agreement, equally,

and if it is a stated allowance under Rule 11.4(b)(i) or a share of a fixed sum under Rule 11.4(b)(ii), will be taken to accrue from day to day.

- (c) The remuneration of executive Directors will be determined by the Board.
- (d) In addition to their remuneration, the Directors are entitled to be paid all travelling and other expenses properly incurred by them in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the Directors or of committees of the Directors.
- (e) A Director who renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company, may be paid extra remuneration as determined by the Board.
- (f) Nothing in Rule 11.4(a) ~~11.4(a)~~ restricts the remuneration to which a Director may be entitled as an officer of the Company or of a Related Body Corporate in a capacity other than Director, which may be either in addition to or in substitution for that Director's remuneration under Rule 11.4(a) ~~11.4(a)~~.

- (g) Subject to the [Corporations Act](#), the Directors may:
  - (i) at any time after a Director dies or otherwise ceases to hold office as a Director, pay to the Director or a legal personal representative, spouse, relative or dependant of the Director, in addition to the remuneration of that Director, a pension or lump sum payment in respect of past services rendered by that Director; and
  - (ii) cause the Company to enter into a contract with the Director for the purpose of providing for or giving effect to such a payment.
- (h) The Directors may establish or support, or assist in the establishment or support of, funds and trusts to provide pension, retirement, superannuation or similar payments or benefits to or in respect of the Directors or former Directors.

## 11.5 Interested Directors

- (a) A Director may hold any other office or place of profit (other than Auditor) in the Company or any Related Body Corporate in conjunction with his or her directorship and may be appointed to that office or place upon such terms as to remuneration, tenure of office and otherwise as the Directors think fit.
- (b) A Director of the Company may be or become a Director or other officer of, or otherwise interested in, any Related Body Corporate or any other body corporate promoted by the Company or in which the Company may be interested as a Member or otherwise and is not accountable to the Company for any remuneration benefits received by the Director as a Director or officer of, or from having an interest in, that body corporate.
- (c) The Directors may exercise the voting rights conferred by any share in any body corporate held or owned by the Company in such manner in all respects as the Directors think fit (including voting in favour of any resolution appointing a Director as a Director or other officer of that body corporate or voting for the payment of remuneration to the Directors or other officers of that body corporate) and a Director may, if permitted by law, vote in favour of the exercise of those voting rights notwithstanding that he or she is, or may be about to be appointed, a Director or other officer of that other body corporate and, as such, interested in the exercise of those voting rights.
- (d) A Director is not disqualified, merely because of being a Director, from contracting with the Company in any respect including, without limitation:
  - (i) supplying rice to the Company;
  - (ii) selling any property or goods to, or purchasing any property or goods from, the Company;
  - (iii) lending any money to, or borrowing any money from, the Company with or without interest and with or without security;
  - (iv) guaranteeing the repayment of any money borrowed by the Company for a commission or profit;
  - (v) underwriting or guaranteeing the subscription for securities in the Company or in any Related Body Corporate or any other body corporate promoted by the Company or in which the Company may be interested as a Member or otherwise, for a commission or profit; or
  - (vi) being employed by the Company or acting in any professional capacity (other than Auditor) on behalf of the Company.



- (e) No contract made by a Director with the Company and no contract or arrangement entered into by or on behalf of the Company in which any Director may be in any way interested is avoided or rendered voidable merely because of the Director holding office as a Director or because of the fiduciary obligations arising out of that office.
- (f) No Director contracting with or being interested in any arrangement involving the Company is liable to account to the Company for any profit realised by or under any such contract or arrangement merely because of the Director holding office as a Director or because of the fiduciary obligations arising out of that office.
- (g) Subject to Rule 11.5(h), a Director who is in any way interested in any contract or arrangement or proposed contract or arrangement may, despite that interest:
  - (i) be counted in determining whether or not a quorum is present at any meeting of Directors considering that contract or arrangement or proposed contract or arrangement;
  - (ii) sign or countersign any document relating to that contract or arrangement or proposed contract or arrangement to which the Seal is affixed; and
  - (iii) vote in respect of, or in respect of any matter arising out of, the contract or arrangement or proposed contract or arrangement.
- (h) The provisions of Rule 11.5(g) do not apply if, and to the extent that, they would be contrary to the [Corporations](#) Act.
- (i) The Directors may make regulations requiring the disclosure of interests that a Director, and any person deemed by the Directors to be related to or associated with the Director, may have in any matter concerning the Company or a Related Body Corporate and any regulations made under this rule will bind all Directors.

## 11.6 Powers and duties of Directors

- (a) The Directors are responsible for managing the business of the Company and may exercise to the exclusion of the Company in general meeting all the powers of the Company which are not required, by the [Corporations](#) Act or this Constitution to be exercised by the Company in general meeting.
- ~~(b)~~ Notwithstanding any other provision of this Constitution, the Directors may only enter or approve any transaction involving a Special Class Voting Matter with the approval of Members as required by this Constitution, provided that the Directors can enter an agreement contemplating such a Special Class Voting Matter if the agreement is subject to a condition precedent that the approval of Members as required by this Constitution is obtained.
- ~~(b)~~(c) Without limiting the generality of Rule 11.6(a), the Directors may exercise all the powers of the Company to borrow or otherwise raise money, to charge any property or business of the Company or all or any of its uncalled capital and to issue [bonds](#), debentures, [notes or other obligations of the Company](#) or give any other security for a debt, liability or obligation of the Company or of any other person.
- ~~(c)~~(d) The Directors may determine how cheques, promissory notes, bankers drafts, bills of exchange or other negotiable instruments must be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by or on behalf of the Company.
- ~~(d)~~(e) The Directors may pay out of the Company's funds all expenses of the promotion, formation and registration of the Company and the vesting in it of the assets acquired by it.
- ~~(e)~~(f) The Directors may:

- (i) appoint or employ any person to be an officer, agent or attorney of the Company for such purposes with such powers, discretions and duties (including powers, discretions and duties vested in or exercisable by the Directors), for such period and upon such conditions as they think fit;
- (ii) authorise an officer, agent or attorney to delegate all or any of the powers, discretions and duties vested in the officer, agent or attorney; and
- (iii) subject to any contract between the Company and the relevant officer, agent or attorney, remove or dismiss any officer, agent or attorney of the Company at any time, with or without cause.

~~(f)~~(g) A power of attorney granted by the Company may contain such provisions for the protection and convenience of the attorney or persons dealing with the attorney as the Directors think fit.

~~(g)~~(h) The Directors may from time to time appoint any Director to an executive office on such terms as they may determine.

## **11.7 Proceedings of Directors**

- (a) The Directors may meet together for the despatch of business and adjourn and otherwise regulate their meetings as they think fit.
- (b) A Directors' meeting may be called or held using any technology consented to by all the Directors. The consent may be a standing one. A Director may only withdraw their consent within a reasonable period before the meeting.
- (c) The contemporaneous linking together by technology of a number of the Directors sufficient to constitute a quorum, constitutes a meeting of the Directors and all the provisions in this Constitution relating to meetings of the Directors apply, so far as they can and with such changes as are necessary, to meetings of the Directors by technology.
- (d) A Director participating in a meeting by technology is to be taken to be present in person at the meeting.
- (e) A meeting by technology is to be taken to be held at the place determined by the chairperson of the meeting provided that at least one of the Directors involved was at that place for the duration of the meeting.

## **11.8 Convening of meetings of Directors**

- (a) A Director may, whenever the Director thinks fit, convene a meeting of the Directors.
- (b) A secretary must, on the requisition of a Director, convene a meeting of the Directors.

## **11.9 Notice of meetings of Directors**

- (a) Subject to this Constitution, notice of a meeting of Directors must be given (except in exceptional circumstances) at least 48 hours prior to the time of the meeting to each person who is at the time of giving the notice:
  - (i) a Director, other than a Director on leave of absence approved by the Directors; or
  - (ii) an alternate Director appointed under Rule 11.14 by a Director on leave of absence approved by the Directors.
- (b) A notice of a meeting of Directors:

- (i) must specify the time and place of the meeting;
  - (ii) need not state the nature of the business to be transacted at the meeting;
  - (iii) may be given immediately before the meeting;
  - (iv) may be given in person or by post, facsimile transmission, telephone, email or other electronic means; ~~and~~
  - (v) will be taken to have been given to an alternate Director if it is given to the Director who appointed that alternate Director.
- (c) A Director or alternate Director may waive notice of any meeting of Directors by notifying the Company to that effect in person or by post, facsimile transmission, telephone or other electronic means.
- (d) The non-receipt of notice of a meeting of Directors by, or a failure to give notice of a meeting of Directors to, a Director does not invalidate any act, matter or thing done or resolution passed at the meeting if:
- (i) the non-receipt or failure occurred by accident or error;
  - (ii) before or after the meeting, the Director or an alternate Director appointed by the Director:
    - (A) has waived or waives notice of that meeting under Rule 11.9(c); or
    - (B) has notified or notifies the Company of agreement to that act, matter, thing or resolution personally or by post, facsimile transmission, telephone or other electronic means; ~~or~~
  - (iii) the Director or an alternate Director appointed by the Director attended the meeting.
- (e) The non-receipt of notice of a meeting of Directors by, or a failure to give notice of a meeting of Directors to, an alternate Director of a Director on leave of absence approved by the Directors does not invalidate any act, matter or thing done or resolution passed at the meeting if:
- (i) the non-receipt or failure occurred by accident or error;
  - (ii) before or after the meeting, the alternate Director or the Director who appointed the alternate Director has notified or notifies the Company of agreement to that act, matter, thing or resolution personally or by post, facsimile transmission, telephone or other electronic means; or
  - (iii) the alternate Director or the Director who appointed the alternate Director attended the meeting.
- (f) Attendance by a person at a meeting of Directors waives any objection that person and:
- (i) if the person is a Director, an alternate Director appointed by that person; or
  - (ii) if the person is an alternate Director, the Director who appointed that person as alternate Director,

may have to a failure to give notice of the meeting.

### 11.10 Quorum at meetings of Directors

- (a) No business may be transacted at a meeting of Directors unless a quorum of Directors is present at the time the business is dealt with.
- (b) The quorum for any meeting of the Directors shall be one-half (or where one half is not a whole number the whole number next higher than one-half) of the number of Directors. However, for a quorum to exist the number of ~~Active-Grower~~ Directors present must exceed the number of Non-Grower ~~Independent~~ Directors present by at least one.
- (c) If there is a vacancy in the office of a Director, the remaining Director or Directors may act but, if the number of remaining Directors is not sufficient to constitute a quorum at a meeting of Directors, the remaining Director or Directors may act only in an emergency or for the purpose of increasing the number of Directors to a number sufficient to constitute a quorum or of convening a general meeting of the Company.

### 11.11 Chairperson and deputy chairperson of Directors

- (a) The Directors may elect one of the Directors to the office of chairperson of the Board and may determine the period for which that Director is to be chairperson of the Board.
- (b) The Directors may elect one of the Directors to the office of deputy chairperson of the Board and may determine the period for which that Director is to be deputy chairperson of the Board.
- (c) The office of chairperson of the Board or deputy chairperson of the Board may, if the Directors so resolve, be treated as an extra service or special exertion performed by the Director holding that office for the purposes of Rule 11.4(e).
- (d) The chairperson of the Board must (if present within ten minutes after the time appointed for the holding of the meeting and willing to act) preside as chairperson at each meeting of Directors.
- (e) If at a meeting of Directors:
  - (i) there is no chairperson of the Board;
  - (ii) the chairperson of the Board is not present within ten minutes after the time appointed for the holding of the meeting; or
  - (iii) the chairperson of the Board is present within that time but is not willing to act as chairperson of the meeting,

then if the Directors have elected a deputy chairperson of the Board, the deputy chairperson of the Board must (if present within ten minutes after the time appointed for the holding of the meeting and willing to act) preside as the chairperson of the meeting.

- (f) Subject to Rule 11.11(e), if at a meeting of Directors:
  - (i) there is no deputy chairperson of the Board;
  - (ii) the deputy chairperson of the Board is not present within ten minutes after the time appointed for the holding of the meeting; or
  - (iii) the deputy chairperson of the Board is present within that time but is not willing to act as chairperson of the meeting,

the Directors present must elect one of themselves to be chairperson of the meeting.

#### **11.12 Decisions of Directors**

- (a) A meeting of Directors at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Directors under this Constitution.
- (b) Questions arising at a meeting of Directors are to be decided by a majority of votes cast by the Directors present and any such decision is for all purposes a determination of the Directors.
- (c) Subject to Rule 11.12(d), in the case of an equality of votes upon any proposed resolution the chairperson of the meeting, in addition to his or her deliberative vote, has a casting vote.
- (d) Where only two Directors are present or qualified to vote at a meeting of Directors and there is an equality of votes upon any proposed resolution:
  - (i) the chairperson of the meeting will not have a second or casting vote; and
  - (ii) the proposed resolution is to be taken as having been lost.

#### **11.13 Written resolutions**

- (a) If:
  - (i) all of the Directors, other than:
    - (A) any Director on leave of absence approved by the Directors;
    - (B) any Director who disqualifies himself or herself from considering the act, matter, thing or resolution in question on the grounds that he or she is not entitled at law to do so or has a conflict of interest; and
    - (C) any Director whom the other Directors reasonably believe is not entitled at law to do the act, matter or thing or to vote on the resolution in question,are given a document containing a statement to the effect that an act, matter or thing has been done or resolution has been passed; and
  - (ii) the document is assented to by a number of Directors who would have constituted a quorum at a meeting of Directors held to consider that act, matter, thing or resolution,then that act, matter, thing or resolution is to be taken as having been done at or passed by a meeting of the Directors.
- (b) For the purposes of Rule 11.13(a):
  - (i) the meeting is to be taken as having been held:
    - (A) if the Directors assented to the document on the same day, on the day on which the document was assented to and at the time at which the document was last assented to by a Director; - or
    - (B) if the Directors assented to the document on different days, on the day on which, and at the time at which, the document was last assented to by a Director;

- (ii) two or more separate documents in identical terms each of which is assented to by one or more Directors are to be taken as constituting one document; and
  - (iii) a Director may signify assent to a document by signing the document or by notifying the Company of the Director's assent in person or by post, facsimile transmission, telephone, email or other electronic means.
- (c) Where a Director signifies assent to a document otherwise than by signing the document, the Director must by way of confirmation sign the document at the next meeting of the Directors attended by that Director, but failure to do so does not invalidate the act, matter, thing or resolution to which the document relates.
- (d) Where a document is assented to in accordance with Rule 11.12(a), the document is to be taken as a minute of a meeting of Directors.

#### **11.14 Alternate Directors**

- (a) A Director may, with the approval of the Directors, appoint a person to be the Director's alternate Director for such period as the Director thinks fit.
- (b) An alternate Director may, but need not, be a Member or a Director of the Company.
- (c) One person may act as alternate Director to more than one Director.
- (d) An alternate Director is entitled, if the appointer does not attend a meeting of Directors, to attend and vote in place of and on behalf of the appointer.
- (e) An alternate Director is entitled to a separate vote for each Director the alternate Director represents in addition to any vote the alternate Director may have as a Director in his or her own right.
- (f) In the absence of the appointer, an alternate Director may exercise any powers that the appointer may exercise and the exercise of any such power by the alternate Director is to be taken to be the exercise of the power by the appointer.
- (g) The office of an alternate Director is vacated if and when the appointer vacates office as a Director.
- (h) The appointment of an alternate Director may be terminated at any time by the appointer even though the period of the appointment of the alternate Director has not expired.
- (i) An appointment, or the termination of an appointment, of an alternate Director must be in writing signed by the Director who makes or made the appointment and does not take effect unless and until the Company has received notice in writing of the appointment or termination.
- (j) An alternate Director is not to be taken into account in determining the minimum or maximum number of Directors allowed under this Constitution.
- (k) In determining whether a quorum is present at a meeting of Directors, an alternate Director who attends the meeting is to be counted as a Director for each Director on whose behalf the alternate Director is attending the meeting.
- (l) An alternate Director is entitled to be paid such remuneration as the Directors think fit, either in addition to or in reduction of the remuneration payable to the Director for whom the alternate Director acts as alternate.



- (m) An alternate Director is not entitled to be remunerated by the Company for his or her services as alternate Director except as provided in Rule 11.14(l).
- (n) An alternate Director, while acting as a Director, is responsible to the Company for his or her own acts and defaults and is not to be taken to be the agent of the Director by whom he or she was appointed.

### **11.15 Committees of Directors**

- (a) The Directors may delegate any of their powers to a committee or committees consisting of such number of Directors as they think fit. Notwithstanding any delegation under this Rule 11.15, the Directors may continue to exercise all or any of the powers delegated.
- (b) A committee to which any powers have been so delegated must exercise the powers delegated in accordance with any directions of the Directors.
- (c) The provisions of this Constitution applying to meetings and resolutions of Directors apply, so far as they can, and with such changes as are necessary, to meetings and resolutions of a committee of Directors.
- (d) Membership of a committee of Directors may, if the Directors so resolve, be treated as an extra service or special exertion performed by the Members for the purposes of Rule 11.4(e).

### **11.16 Delegation to individual Directors**

- (a) The Directors may delegate any of their powers to one Director. Notwithstanding any delegation under this Rule 11.16, the Directors may continue to exercise all or any of the powers delegated.
- (b) A Director to whom any powers have been so delegated must exercise the powers delegated in accordance with any directions of the Directors.
- (c) Acceptance of such a delegation may, if the Directors so resolve, be treated as an extra service or special exertion performed by the delegate for the purposes of Rule 11.4(e).

### **11.17 Validity of acts**

An act done by a person acting as a Director or by a meeting of Directors or a committee of Directors attended by a person acting as a Director is not invalidated by reason only of:

- (a) a defect in the appointment of the person as a Director;
- (b) the person being disqualified to be a Director or having vacated office; or
- (c) the person not being entitled to vote,

if that circumstance was not known by the person or the Directors or committee (as the case may be) when the act was done.

## **12 Secretaries**

### **12.1 Secretaries**

The Directors must appoint at least one secretary who ordinarily resides in Australia and may appoint additional secretaries.

## 12.2 Terms

The appointment of a secretary will be on such terms as the Directors determine.

## 13 Execution of documents

### 13.1 Methods of Execution

The Company may execute a document in any manner permitted by the [Corporations](#) Act.

## 14 Distribution of profits

### 14.1 Dividends

(a) The Directors may determine that a dividend is payable and fix:

- (i) the amount of the dividend;
- (ii) the time for payment; and
- (iii) the method of payment.

The methods of payment may include the payment of cash, the issue of shares, the grant of options and the transfer of assets.

(b) The Company does not incur a debt merely by the Directors fixing the amount or time for payment of a dividend. The debt only arises when the time fixed for payment arrives and the decision to pay the dividend may be revoked at any time before then.

(c) The Directors may pay any dividend required to be paid under the terms of issue of a Share.

(d) The payment of a dividend does not require any confirmation by the Members.

(e) Subject to any rights or restrictions attached to any Shares or class of Shares:

- (i) all dividends in respect of Shares must be declared and paid in proportion to the amounts paid (not credited) of the total amounts paid and payable (excluding amounts credited) on the Shares;
- (ii) all dividends must be apportioned and paid proportionately to the amounts so paid during any portion or portions of the period in respect of which the dividend is paid;
- (iii) for the purposes of Rules 14.1(~~ed~~)(i) and 14.1(~~de~~)(ii), an amount paid on a Share in advance of a call is to be taken as not having been paid on the Share; and
- (iv) interest is not payable by the Company in respect of any dividend.

(f) The Directors may fix a record date in respect of a dividend ~~with or without suspending the registration of transfers from that date under Rule 9.7.~~

(g) A dividend in respect of a Share must be paid to the person who is registered ~~or entitled under Rule 9.5 to be registered,~~ as the holder of the Share:

- (i) where the Directors have fixed a record date in respect of the dividend, on that date; or

- (ii) where the Directors have not fixed a record date in respect of that dividend, on the date the dividend is declared.

~~and a transfer of a Share that is not registered, or left with the Company for registration in accordance with Rule 9.5, on or before that date is not effective, as against the Company, to pass any right to the dividend.~~

- (h) The Directors may:

- (i) direct payment of the dividend wholly or partly by the issue of shares, the grant of options or the transfer of assets, either generally or to specific shareholders; and
- (ii) direct that the dividend be paid to particular shareholders wholly or partly out of any particular fund or reserve or out of profits derived from any particular source and to the remaining shareholders wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.

- (i) The Directors may deduct from any dividend payable to a Member all sums of money presently payable by the Member to the Company and apply the amount deducted in or towards satisfaction of the money owing.

~~(j) Where a person is entitled to a Share as a result of a Transmission Event, the Directors may, but are not obliged to, retain any dividends payable in respect of that Share until that person becomes registered as the holder of the Share or transfers it.~~

~~(k)~~(j) Without prejudice to any other method of payment the Directors may adopt, any dividend, interest or other money payable in cash in respect of Share may be paid by cheque and sent by post:

- (i) to the address of the holder as shown in the Register, or in the case of joint holders, to the address shown in the Register as the address of the joint holder first named in that Register; or
- (ii) to such other address as the holder or joint holders in writing directs or direct.

~~(k)~~(k) A cheque sent under Rule 14.1(j) ~~14.1(k)~~ may be made payable to bearer or to the order of the Member to whom it is sent or such other person as the Member may direct and is sent at the Member's risk.

## 14.2 Capitalisation of profits

- (a) Subject to any rights or restrictions attached to any Shares or class of Shares, the Directors may capitalise and distribute among such of the Members as would be entitled to receive dividends and in the same proportions, any amount:
  - (i) forming part of the undivided profits of the Company;
  - (ii) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the Company;
  - (iii) arising from the realisation of any assets of the Company; or
  - (iv) otherwise available for distribution as a dividend.
- (b) The Directors may resolve that all or any part of the capitalised amount is to be applied:

- (i) in paying up in full at a price determined by the resolution any unissued Shares in or other securities of the Company;
- (ii) in paying up any amounts unpaid on Shares or other securities held by the Members; or
- (iii) partly as specified in Rule 14.2(b)(i) and partly as specified in Rule 14.2(b)(ii),

and such an application must be accepted by the Members entitled to Share in the distribution in full satisfaction of their interests in the capitalised amount.

- (c) Rules 14.1(e) and 14.1(f) apply, so far as they can and with such changes as are necessary, to a capitalisation of an amount under this Rule 14.2 as if references in those rules to a dividend and to the date a dividend is declared were references to a capitalisation of an amount and to the date the Directors resolve to capitalise the amount under this Rule 14.2 respectively.

### 14.3 Ancillary powers

For the purpose of giving effect to any resolution for the satisfaction of a dividend in the manner set out in Rule 14.1(h)(i) or by the capitalisation of any amount under Rule 14.2, the Directors may:

- (a) settle as they think expedient any difficulty that may arise in making the distribution or capitalisation and, in particular, where Shares or other securities in the Company are or would otherwise be issuable in fractions:
  - (i) issue fractional certificates for those Shares or other securities;
  - (ii) determine that such fractions are to be disregarded or are to be rounded down to the nearest whole number; or
  - (iii) determine that such fractions are to be rounded up to the nearest whole number;
- (b) fix the value for distribution of any specific assets;
- (c) pay cash or issue Shares or other securities to any Members in order to adjust the rights of all parties;
- (d) vest any such specific assets, cash, Shares or other securities in any trustee upon such trusts for the persons entitled to the dividend or capitalised amount as may seem expedient to the Directors; and
- (e) authorise any person to make, on behalf of all the Members entitled to any further Shares or other securities as a result of the distribution or capitalisation, an agreement with the Company or another body corporate providing, as appropriate:
  - (i) for the issue to them of such further Shares or other securities credited as fully paid up; or
  - (ii) for the payment by the Company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing Shares or other securities by the application of their respective proportions of the sum resolved to be capitalised,

and any agreement made under an authority referred to in this [Rule 14.3\(e\)](#) ~~9.3(e)~~ is effective and binding on all Members concerned.

#### **14.4 Reserves**

- (a) Subject to this Constitution, the Directors may set aside out of the profits of the Company such reserves or provisions for such purposes as they think fit.
- (b) The Directors may appropriate to the profits of the Company any amount previously set aside as a reserve or provision.
- (c) The setting aside of any amount as a reserve or provision does not require the Directors to keep the amount separate from the other assets of the Company or prevent the amount being used in the business of the Company or being invested in such investments as the Directors think fit.

#### **14.5 Carry forward of profits**

The Directors may carry forward so much of the profits remaining as they consider ought not to be distributed as dividends or capitalised without transferring those profits to a reserve or provision.

### **15 Borrowing powers**

#### **15.1 Power to Borrow**

The Directors may from time to time at their discretion raise or borrow or secure the payment any sum or sums of money for the purposes of the Company.

#### **15.2 Power to secure repayment of moneys**

The Directors may raise or secure the payment or repayment of moneys in such manner and upon such terms and conditions as they think fit. In particular, the Directors may raise moneys by the issue of bonds, debentures, notes, or other obligations of the Company, with or without security. The Directors may charge in any manner the Company's property and assets both present and future including its uncalled capital (if any) for the time being to secure the moneys raised or owing.

#### **15.3 Loan securities assignable**

Any loan securities issued by the Company may be assignable free from any equities between the Company and the person to whom the same may be issued.

#### **15.4 Loan securities assignable**

Any loan securities may be issued at par or at a discount, premium or otherwise and with any special privileges as to redemption or surrender.

#### **15.5 Certificates for loan securities**

A loan security certificate issued by the Company shall show:

- (a) the name of the Company and the authority under which it was incorporated;
- (b) the address of the registered office of the Company, and the register on which the loan securities are situated;
- (c) the security, rate of interest and dates of payment, any participating rights and the date and method of redemption;
- (d) a statement of the limitation of liabilities imposed by any trust deed;

- (e) a statement of the circumstances in which the issuing company or guarantor company may give or allow to subsist, securities ranking in priority to the loan securities;
- (f) the number (if any) of loan securities represented by the loan security certificate (in words and figures) on the face of the certificate; and
- (g) the type of loan security that is appropriate and no other type.

## **15.6 Keeping of register of charges**

- (a) The Directors shall cause a register to be kept in accordance with the [Corporations Act](#) of the mortgages and charges specifically affecting the property of the Company and all floating charges.
- (b) The books closing date to determine those entitled to receive interest on loan securities of the Company shall be ten business days prior to the date of payment.

# **16 Accounts**

## **16.1 Financial records to be kept**

The Directors ~~Company~~ shall keep financial records that:

- (a) correctly record and explain the transactions and financial position of the Company;
- (b) enable true and fair financial statements of the Company to be prepared from time to time; and
- (c) enable the financial statements of the Company to be audited in accordance with the [Corporations Act](#).

## **16.2 Inspection by Directors**

The financial records of the Company shall be retained for seven (7) years after the transactions covered by the records are completed. The Directors have a right of access to the financial records at all reasonable times.

## **16.3 Physical format**

If financial records are kept in electronic form, they must be convertible into hard copy. A hard copy shall be made available within a reasonable time to a person who entitled to inspect the records.

## **16.4 Financial Report**

The Company shall prepare a financial report for each financial year in accordance with the [Corporations Act](#).

## **16.5 Reporting to members**

The Company shall report to Members on its financial affairs in accordance with the [Corporations Act](#).



## 17 Audit

### 17.1 Audit of financial report

The Company shall have its financial report audited in accordance with the [Corporations](#) Act.

## 18 Winding up

### ~~18.1 Distribution of surplus~~

Subject to this Constitution and [without prejudice](#) to the rights or restrictions attached to any Shares or class of Shares:

- (a) if the Company is wound up and the property of the Company available for distribution ~~among the Members~~ is more than sufficient [to pay](#):

(i) ~~to pay~~ all of the debts and liabilities of the Company; ~~and~~

(ii) the costs, charges and expenses of the winding up; [and](#)

(iii) [all other claims or amounts mandatorily preferred by law,](#)

[the excess property of the Company, after payment in full of the claims and amounts set out in paragraphs \(i\) to \(iii\) \(inclusive\) above, must be paid in the following order of priorities:](#)

(A) [FIRST, in the repayment in full of all amounts payable on a winding up on the A Class Shares, and the A Class Shareholders shall have no other right to participate in the distribution of excess property of the Company in respect of their A Class Shares; and](#)

(B) [SECOND, to the registered holders of the B Class Shares pro rata in accordance with the number of B Class Shares then held by such persons, who shall be entitled to the distribution of the balance of all remaining excess property of the Company.](#)

- (b) [For the purpose of the distribution of the excess property of the Company to the registered holders of the B Class Shares, the liquidator may, at all times, having regard to the pro rata entitlement of each registered holder of the B Class Shares to the distribution of such excess property of the Company under that Rule:](#)

(i) [divide among the registered holders of the B Class Shares in kind the whole or any part of such excess and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the registered holders of the B Class Shares; and](#)

(ii) [vest the whole or any part of any such property in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no registered holder of the B Class Shares is compelled to accept any shares or other securities in respect of which there is any liability.](#)

~~the excess must be divided among the Members in proportion to the Shares held by them, irrespective of the amounts paid or credited as paid on the Shares;~~

- ~~(b) for the purpose of calculating the excess referred to in Rule 18.1(a), any amount unpaid on a Share is to be treated as property of the Company;~~

- ~~(c) — the amount of the excess that would otherwise be distributed to the holder of a partly paid Share under Rule 18.1(a) must be reduced by the amount unpaid on that Share at the date of the distribution; and~~
- ~~(d) — if the effect of the reduction under Rule 18.1(c) would be to reduce the distribution to the holder of a partly paid Share to a negative amount, the holder must contribute that amount to the Company.~~

## **18.2 Division of property**

- ~~(a) — If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company in general meeting:
  - ~~(i) — divide among the Members the whole or any part of the property of the Company; and~~
  - ~~(ii) — determine how the division is to be carried out as between the Members or different classes of Members.~~~~
- ~~(b) — Any division under Rule 18.2(a) may be otherwise than in accordance with the legal rights of the Members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.~~
- ~~(c) — Where a division under Rule 18.2(a) is otherwise than in accordance with the legal rights of the Members, a Member is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under section 507 of the Act.~~
- ~~(d) — If any of the property to be divided under Rule 18.2(a) includes securities with a liability to calls, any person entitled under the division to any of the securities may within ten days after the passing of the special resolution referred to in that rule, by notice in writing direct the liquidator to sell the person's proportion of the securities and to account for the net proceeds and the liquidator must, if practicable, act accordingly.~~
- ~~(e) — Nothing in this Rule 18.2 derogates from or affects any right to exercise any statutory or other power which would have existed if this rule were omitted.~~
- ~~(f) — Rule 14.3 applies, so far as it can and with such changes as are necessary, to a division by a liquidator under Rule 18.2(a) as if references in Rule 14.3 to the Directors and to a distribution or capitalisation were references to the liquidator and to the division under Rule 18.2(a) respectively.~~

## **19 Minutes and records**

### **19.1 Minutes to be made**

The Directors must cause minutes to be made of:

- (a) the names of the Directors present at each Directors meeting;
- (b) the names of the committee ~~Members~~ members present at each meeting of a committee appointed under Rule 11.15;
- (c) the proceedings and resolutions of each general meeting;
- (d) the proceedings and resolutions of each Directors meeting;

- (e) the proceedings and resolutions of each meeting of a committee appointed under Rule 11.15; and
- (f) written resolutions of Directors passed without a meeting.

## **19.2 Minutes to be entered**

The Directors must cause all minutes made under Rule 19.1 to be entered in the relevant minute book of the Company within one month after the relevant meeting is held.

## **19.3 Signature of Minutes**

The minutes of a meeting made under Rule 19.1, if appearing on their face to be signed by the chairperson of the meeting or the chairperson of the next succeeding meeting of the relevant body, are sufficient but (except where this Constitution otherwise provides) not conclusive evidence without proof of any further facts of the matters stated in them.

## **19.4 Minutes as evidence**

Any minutes of a meeting purporting to be signed by the chairperson of the meeting or of the next succeeding meeting are (in the absence of proof to the contrary) sufficient evidence of:

- (a) the matters stated in the minutes of the meeting;
- (b) the meeting having been duly convened and held; and
- (c) the validity of all proceedings at the meeting.

## **19.5 Inspection of records**

- (a) The Directors may determine whether and to what extent, and at what time and places and under what conditions, the minute books, accounting records and other documents of the Company or any of them will be open to the inspection of Members other than Directors.
- (b) A Member other than a Director does not have the right to inspect any books, records or documents of the Company except as provided by law or authorised by the Directors.

# **20 Indemnity and insurance**

## **20.1 Persons to whom Rules 20.2 and 20.3 apply**

Rules 20.2 and 20.3 apply:

- (a) to each person who is or has been a Director or alternate Director or secretary (including an acting secretary) of the Company;
- (b) to such other officers, senior managers or former officers or former senior managers of the Company or of its Related Bodies Corporate as the Directors in each case determine; and
- (c) if the Directors so determine, to any Auditor or former Auditor of the Company or of its Related Bodies Corporate.

## 20.2 Indemnity

The Company must indemnify, on a full indemnity basis and to the full extent permitted by law, each person to whom this Rule 20.2 applies for all costs, losses or liabilities incurred by the person in their capacity as Director, alternate Director, as an officer, senior manager or, if the Directors so determine, an Auditor of the Company or of a Related Body Corporate out of the property of the Company including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred against :-

- (a) any liability incurred by the person in that capacity (except a liability for legal costs);
- (b) legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigative nature, in which the person becomes involved because of that capacity and judgment is given in favour of the person or in which the person is acquitted;
- ~~(a)~~(c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Company's policy; or
- ~~(b)~~(d) legal costs incurred in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Act.

## 20.3 Extent of indemnity

The indemnity in Rule 20.2:

- (a) is a continuing obligation and enforceable by a person to whom Rule 20.2 applies even though that person may have ceased to be an officer, secretary, senior manager or Auditor of the Company or of a Related Body Corporate;
- (b) applies to costs, losses and liabilities incurred both before and after the date of adoption of that rule; and
- (c) operates only to the extent that:
  - (i) the loss or liability is not covered by insurance;
  - (ii) the Company is permitted by law to indemnify the person against the cost, liability or loss; and
  - (iii) it is not (or would not be made) void by law.

## 20.4 Insurance

The Company may, to the extent permitted by law and whether directly or through an interposed entity:

- (a) purchase and maintain insurance; or
- (b) pay or agree to pay a premium for insurance,

for any person to whom this Rule 20 applies against any liability incurred by the person in the capacity as an officer or Auditor of the Company or of a Related Body Corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome, unless the Company is forbidden by law to purchase or agree to purchase the premium or the contract would, if the Company purchased the premium, be made void by law.

## 20.5 Savings

Nothing in Rules 20.2 or 20.4:

- (a) affects any other right or remedy that a person to whom this Constitution apply may have in respect of any cost, loss or liability referred to in those Rules; or
- (b) limits the capacity of the Company to indemnify or provide insurance for any person to whom those rules do not apply.

## 20.6 Contract

The Company may enter into an agreement with a person to whom this Rule 20 applies with respect to the matters covered by Rules 20.2 or 20.4. An agreement entered into pursuant to this Rule may include provisions relating to rights of access to the books of the Company conferred by the Corporations Act or otherwise by law.

## 21 Notices

### 21.1 Notices by the Company to Members

- (a) A notice may be given by the Company to a Member:
  - (i) by:
    - (A) \_\_\_\_\_ serving it personally at, or by sending it by post in a prepaid envelope to, the Member's address as shown in the Register or such other address nominated by the Member;;
    - (B) \_\_\_\_\_ ~~or by~~ facsimile transmission or electronically to such facsimile number or electronic address, as the Member has supplied to the Company for the giving of notices; or
    - (C) \_\_\_\_\_ notifying the Member by an electronic means nominated by the Member that the notice is available and how the Member may use the nominated access means to access the document; or
  - (ii) if the Member does not have a registered address and has not supplied another address, facsimile number or electronic address to the Company for the giving of notices, by exhibiting it at the registered office of the Company.
- (b) A notice may be given by the Company to the joint holders of a Share by giving the notice in the manner authorised by Rule 21.1(a) to the joint holder first named in the Register in respect of the Share.
- (c) A notice may be given by the Company to a person entitled to a Share as a result of a Transmission Event by serving it or sending it in the manner authorised by Rule 21.1(a)(i) addressed to the name or title of the person, at or to such address or facsimile number or electronic address supplied to the Company for the giving of notices to that person, or if no address or facsimile number or electronic address has been supplied, at or to the address or facsimile number or electronic address to which the notice might have been sent if the relevant Transmission Event had not occurred.
- (d) A notice may be given by the Company to a person appointed as a proxy by giving the notice in the manner authorised by Rule 21.1(a)(i) addressed to the name or title of the person, at such address or facsimile number or electronic address supplied to the Company for the giving of notices to that person.

- (e) The fact that a person has supplied a facsimile number or electronic address for the giving of notices does not require the Company to give any notice to that person by facsimile or electronically.
- (f) A notice given to a Member in accordance with Rule 21.1(a) or Rule 21.1(b) is, despite the occurrence of a Transmission Event and whether or not the Company has notice of that occurrence:
  - (i) duly given in respect of any Shares registered in that person's name, whether solely or jointly with another person; and
  - (ii) sufficient service on any person entitled to the Shares as a result of the Transmission Event.
- (g) A notice given to a person who is entitled to a Share as a result of a Transmission Event is sufficient service on the Member in whose name the Share is registered.
- (h) Any person who, by operation of law, as a result of ~~because of~~ a transfer of Shares or by other means whatsoever, becomes entitled to any Shares registered in the name of a Member is absolutely bound by every notice which, before that person's name and address is entered in the Register in respect of those Shares, is given to the Member from whom that person derives title to the relevant Shares in accordance with this Rule 21.1.
- (i) A signature to any notice given by the Company to a Member under this Rule 21.1 may be in writing or a facsimile printed or affixed by some mechanical or other means.
- (j) A certificate signed by a Director or secretary of the Company to the effect that a notice has been given in accordance with this Constitution on a particular date is conclusive evidence of that fact.

## 21.2 Notices by the Company to Directors

Subject to this Constitution, a notice may be given by the Company to any Director or alternate Director either by serving it personally at, or by sending it by post in a prepaid envelope to, the Director's or alternate Director's usual residential or business address, or such other address, or by facsimile transmission or electronically to such facsimile number or electronic address, as the Director or alternate Director has supplied to the Company for the giving of notices.

## 21.3 Notices by Members or Directors to the Company

Subject to this Constitution, a notice may be given by a Member, Director or alternate Director to the Company by serving it on the Company at, or by sending it by post in a prepaid envelope to, the registered office of the Company or by facsimile transmission to the principal facsimile number at the registered office of the Company or electronically to an electronic address that the Company has supplied to the Members, Directors or alternate Directors for the giving of notices.

## 21.4 Notices posted to addresses outside the Commonwealth

A notice sent by post to an address outside the Commonwealth of Australia and its external territories must be sent by airmail.

## 21.5 Time of service

- (a) Where a notice is sent by post, service of the notice is to be taken to be effected if a prepaid envelope containing the notice is properly addressed and placed in the post and to have been effected:



- (i) in the case of a notice of a general meeting, on the day after the date of its posting; or
  - (ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.
- (b) Where a notice is sent by facsimile transmission or other electronic means, that notice is treated as duly given where the notice is addressed in accordance with Rule 21.1 and transmitted by facsimile transmission to the facsimile number supplied or electronically to the electronic address supplied, as the case may be, if the correct facsimile number appears on a complete facsimile transmission report generated by the sender's facsimile machine or, if sent by electronic means if the sender's computer shows the notice as having been sent to the correct electronic address, and to have been effected on the day the report is received or the date the computer indicates the notice was sent, and is treated as duly given and received (whether it is in fact received or not) on the day of transmission of the notice if a Business Day, otherwise on the next Business Day.
- (c) Where the Company gives a notice under Rule 21.1(a)(ii) by exhibiting it at the registered office of the Company, service of the notice is to be taken to be effected when the notice was first so exhibited.

## **21.6 Other communications and documents**

Rules 21.1 to 21.5 (inclusive) [and Rule 21.7](#) apply, so far as they can and with such changes as are necessary, to the service of any communication or document.

## **21.7 Notices in writing**

Unless expressly stated otherwise in this Constitution, all notices, communications, certificates, statements, demands, appointments, directions or documents referred to in this Constitution must be in writing. A reference in this Constitution to a notice in writing includes a notice given by facsimile transmission or any other form of written communication ~~or~~ [including](#) electronically.

# **22 General**

## **22.1 Submission to jurisdiction**

Each Member submits to the non-exclusive jurisdiction of the Supreme Court of the State or Territory in which the registered office of the Company is located, the Federal Court of Australia and the courts which may hear appeals from those courts.

## **22.2 Prohibition and enforceability**

- (a) Any provision of, or the application of any provision of, this Constitution which is prohibited in any place is, in that place, ineffective only to the extent of that prohibition.
- (b) Any provision of, or the application of any provision of, this Constitution which is void, illegal or unenforceable in any place does not affect the validity, legality or enforceability of that provision in any other place or of the remaining provisions in that or any other place.

## **SCHEDULE ONE**

### **Suppliers Share Plan**

#### **1. Definitions**

In this Suppliers Share Plan, unless the context otherwise requires:

**“Annual Allocation”** means a number of B Class Shares calculated in respect of each Supplier Member for a Delivery Period according to the formula,  $\text{Delivery Amount} \times \text{Retention} \div \text{Issue Price}$ ;

**“Delivery Amount”** means the total tonnes of rice (rounded down to the nearest whole number of tonnes) delivered by the Supplier Member in the relevant Delivery Period;

**“Plan”** means the Suppliers Share Plan;

**“Retention”** means an amount not exceeding \$10.00 determined by the Directors in respect of the relevant Delivery Period;

**“Issue Price”** means an amount payable for the issue of B Class Shares under the Plan determined by the Directors in respect of the relevant Delivery Period.

#### **2. Subscription for additional shares**

- (a) The Directors may, at their discretion, require Supplier Members who have supplied rice to the Company in a Delivery Period to subscribe for and take up their Annual Allocation of B Class Shares in relation to that Delivery Period in accordance with the Plan.
- (b) Supplier Members agree to subscribe for and have issued to them B Class Shares in accordance with the Plan.
- (c) If the Directors propose to issue B Class Shares to a Supplier Member under the Plan, the Directors must notify the Supplier Members in writing of their Annual Allocation and the Issue Price of the Shares to be issued under the Plan at least 14 days before the Shares are issued.
- (d) B Class Shares issued under the Plan will be issued at the Issue Price and rank pari passu with all other B Class Shares.
- (e) The Directors must not issue B Class Shares under the Plan to a Supplier Member if, as a result of such issue, the Supplier Member would exceed the maximum number of Shares that may be held under the Constitution.

#### **3. Payment for shares**

- (a) The Issue Price of B Class Shares issued under the Plan is payable in full at the time the Shares are issued.
- (b) The Directors are authorised to deduct the amount required to pay the Issue Price of B Class Shares issued to a Supplier Member under the Plan from any amounts owing by the Company to that Supplier Member.

#### **~~4. Power of attorney~~**

- ~~(a) Each Supplier Member appoints the Directors, for the time being, severally as their attorney with power to sign all documents required to subscribe for B Class Shares under the Plan and to otherwise give full effect to the Plan.~~

## **SCHEDULE TWO**

### **Share Issue Formula**

#### **1. Initial shares**

On registration of the Co-operative as a company under the Act, Initial Members will receive one B-Class Share for each Co-operative Share they held at the time of Conversion or, in the case of Initial Members who receive B-Class Shares pursuant to an entitlement under section 139(2)(b) of the Co-operatives Act, one B-Class Share for each Co-operative Share they are regarded as the holder of for the purposes of that section. These B-Class Shares are referred to as the Initial Shares.

#### **2. Formula shares**

Following the issue of the Initial Shares, the Directors are authorised to issue further B-Class Shares to the Initial Members on the basis of the Share Issue Formula as set out in this Schedule Two for a nil issue price per Share. These further B-Class Shares are referred to as Formula Shares. The purpose of the issue of Formula Shares is to:

- (a) recognise the contributions made by Initial Members to the Co-operative's business (which is now owned and operated by the Company); and
- (b) establish a shareholding alignment in the Company which more fairly reflects those contributions.

#### **3. Share issue formula**

Each Initial Member's Formula Shares will comprise the aggregate number of B-Class Shares calculated according to the Share Holding Component, the Years of Service Component and the Tonnage Component which, together, are referred to as the Share Issue Formula.

#### **4. Share holding component**

Each Initial Member will be allocated one Formula Share for:

- (a) every six Co-operative Shares held by the Initial Member as at the time of Conversion; or
- (b) in the case of Initial Members who received Initial Shares pursuant to an entitlement under section 139(2)(b) of the Co-operatives Act, every six Co-operative Shares that they were regarded as the holder of for the purposes of that section.

#### **5. Years of service component**

##### **5.1 Allocation of Shares**

Each Initial Member will be allocated 150 Formula Shares for each of the Member's Years of Service up to a maximum of 15 Years of Service.

## **~~5.2 Calculation of Years of Service~~**

~~A Member's Years of Service will be calculated by aggregating:~~

- ~~(a) the number of Crop Years in which the Member delivered at least one tonne of rice to the Co-operative during the period from and including the 1988 Crop Year up to and including the 2002 Crop Year ("the Crop Years Reference Period"); and~~
- ~~(b) the number of Crop Years attributed to the Member in accordance with the Tracing Provisions.~~

## **~~5.3 Maximum Ceiling~~**

~~If the calculation under paragraph 5.2 results in a number exceeding 15, the Member's Years of Service will be set at the maximum of 15.~~

## **~~6. Crop years tracing provisions~~**

### **~~6.1 Calculation for Traced Co-operative Member~~**

~~A Member will, for the purposes of determining the Member's Years of Service, be attributed a further number of Crop Years calculated in respect of their Traced Co-operative Member according to the formula  $A \times B$  where:~~

~~A = The number of Crop Years within the Crop Years Reference Period in which the Traced Co-operative Member delivered at least one tonne of rice to the Co-operative excluding Crop Years that have been attributed to the Member under paragraph 5.2(a); and~~

~~B = The percentage of the total number of Co-operative Shares transferred by the Traced Co-operative Member in the Board Approved Membership Rearrangement that were acquired by the Member or an Associated Former Co-operative Member, as the case may be.~~

### **~~6.2 More than one Traced Co-operative Member~~**

~~If a Member has more than one Traced Co-operative Member this calculation will be made for each Traced Co-operative Member and the Member will be attributed the aggregate number of Crop Years so calculated subject to any necessary adjustment under paragraph 6.3.~~

### **~~6.3 Multiple Deliveries in Same Crop Year~~**

~~If a Member has more than one Traced Co-operative Member and any two or more of those Traced Co-operative Members delivered at least one tonne of rice to the Co-operative in the same Crop Year, the Member can not be attributed with more than 100% of that Crop Year.~~

## **~~7. Tonnage component~~**

### **~~7.1 Allocation of Shares~~**

~~Each Initial Member will allocate two Formula Shares for each tonne of rice comprising the Member's Average Annual Tonnage.~~

### **~~7.2 Calculation of Average Annual Tonnage~~**

~~A Member's Average Annual Tonnage will be calculated by reference to the period from and including the 1998 Crop Year up to and including the 2002 Crop Year ("the Tonnage Reference Period") according to the following principles:~~

- ~~(a) — if the Member or their Traced Co-operative Member was a member of the Co-operative as at the first Crop Year of the Tonnage Reference Period (the 1998 Crop Year), the Member's Total Tonnage divided by the total number of Crop Years in the Tonnage Reference Period, namely, five (5); or~~
- ~~(b) — if the Member or their Traced Co-operative Member was not a member of the Co-operative as at the first Crop Year of the Tonnage Reference Period (the 1998 Crop Year), the Member's Total Tonnage divided by the number of Crop Years from and including the Crop Year in which the Member or their Traced Co-operative Member became a member of the Co-operative to the end of the Tonnage Reference Period.~~

### **~~7.3 — Calculation of Total Tonnage~~**

~~A Member's Total Tonnage will be calculated by aggregating:~~

- ~~(a) — the number of tonnes of rice delivered by the Member to the Co-operative; and~~
- ~~(b) — the number of tonnes of rice attributed to the Member in accordance with the Tracing Provisions.~~

### **~~7.4 — Calculation for Former Co-operative Members~~**

~~For the avoidance of doubt, the number of Crop Years by which a Member's Total Tonnage is divided under paragraphs 7.2(a) and 7.2(b) will be calculated up to the end of the Tonnage Reference Period regardless of whether the Member ceased to be a member of the Co-operative before the end of Tonnage Reference Period.~~

## **~~8. — Tonnage tracing provisions~~**

### **~~8.1 — Calculation for Traced Co-operative Member~~**

~~A Member will, for the purposes of determining the Member's Total Tonnage, be regarded as having delivered a further number of tonnes of rice calculated in respect of their Traced Co-operative Member according to the formula  $C \times D$  where:~~

- ~~$C$  = — The number of tonnes of rice delivered to the Co-operative in the Tonnage Reference Period by the Traced Co-operative Member; and~~
- ~~$D$  = — The percentage of the total number of Co-operative Shares transferred by the Traced Co-operative Member in the Board Approved Membership Rearrangement that were acquired by the Member or an Associated Former Co-operative Member, as the case may be.~~

### **~~8.2 — More than one Traced Co-operative Member~~**

~~If the Member has more than one Traced Co-operative Member this calculation will be made for each Traced Co-operative Member and the Member will be attributed with the aggregate number of tonnes so calculated.~~

## **~~9. — General~~**

### **~~9.1 — Board Approved Membership Rearrangement~~**

~~The Tracing Provisions only apply to Members who were admitted to membership of the Co-operative pursuant to a Board Approved Membership Rearrangement.~~



## **9.2 Rounding-up in calculations**

In calculating the number of Formula Shares to which an Initial Member is entitled:

- (a) the Member's Years of Service and the Member's Average Annual Tonnage will be calculated, and where necessary rounded up, to two decimal places;
- (b) any resulting fractions in the number of Formula Shares calculated according to the Share Holding Component, the Years of Service Component or the Tonnage Component will be rounded up to the next whole number of Shares.

## **9.3 Company's calculation final**

The Company will calculate the number of Formula Shares to which each Initial Member is entitled and that calculation will be final and binding.

## **10. Definitions**

The following definitions and the definitions in Rule 1.1 of the Constitution apply in this Schedule:

- (a) **"Associated Former Co-operative Member"** means, in relation to a Member, a Former Co-operative Member who previously transferred any of the Co-operative Shares held by the Member as at the time of Conversion in a Board Approved Membership Rearrangement.
- (b) **"Board Approved Membership Rearrangement"** means an arrangement approved by the board of directors of the Co-operative in which a Former Co-operative Member ceased to be a member of the Co-operative and transferred all or any of the Co-operative Shares held by them to one or more persons who were admitted as members of the Co-operative.
- (c) **"Conversion"** means the registration of the Co-operative as a company under Part 5B.1 of the Act.
- (d) **"Co-operative Rules"** means the rules of the Co-operative immediately before its conversion to the Company.
- (e) **"Co-operative Share"** means a share in the Co-operative.
- (f) **"Crop Year"** means the period from 1 September to 31 August in the following year, being the period during which a rice crop may be grown and delivered. A particular Crop Year is identified by the calendar year in which it ends, for example, the 1998 Crop Year is the period from 1 September 1997 to 31 August 1998.
- (g) **"Years of Service Component"** means the entitlement to Formula Shares under paragraph 5 of this Schedule.
- (h) **"Former Co-operative Member"** means a former member of the Co-operative whose membership of the Co-operative ceased prior to Conversion.
- (i) **"Formula Shares"** means B Class Shares issued to Initial Members in accordance with the Share Issue Formula.
- (j) **"Member's Average Annual Tonnage"** means the Member's Average Annual Tonnage calculated in accordance with paragraph 7.
- (k) **"Member's Crop Years"** means a Member's Crop Years calculated in accordance with paragraph 5.

- ~~(l) — “Member’s Total Tonnage” means a Member’s Total Tonnage calculated in accordance with paragraph 7.~~
- ~~(m) — “Share Holding Component” means the entitlement to Formula Shares under paragraph 4 of this Schedule.~~
- ~~(n) — “Tonnage Component” means the entitlement to Formula Shares under paragraph 7 of this Schedule.~~
- ~~(o) — “Traced Co-operative Member” means, in relation to a Member, a person who previously held any of the Co-operative Shares held by the Member as at the time of Conversion and transferred all or any of those Co-operative Shares in a Board Approved Rearrangement to the Member or their Associated Former Co-operative Member. A Member may have more than one Traced Co-operative Member.~~
- ~~(p) — “Tracing Provisions” means the provisions of paragraphs 6 and 8 of this Schedule.~~



