



22 August 2014

Dear Shareholder / Grower,

RE: SunRice AGM Update:

- **\$20 increase to the indicative C14 full year paddy price (to \$340 per tonne)**
- **10% year-on-year increase in Group profit after tax anticipated**

Today we met with shareholders in Jerilderie for our Annual General Meeting to present the results for the 2013/14 financial year and outline a strong outlook for the future, including a progress update on the Capital Structure Review.

I am pleased to advise all AGM resolutions passed. While the AGM presentations, speeches and voting results are now available on the NSX and shareholder section of the SunRice website, I would like to draw your attention to the following items discussed today.

2013/14 – a year of building on SunRice’s strengths

As previously communicated, the company’s results for the 12 months ending 30 April 2014 included a consolidated revenue for the SunRice Group of \$1.151 billion, up 7.7% on the previous year’s \$1.068 billion. Net profit after tax was \$34 million, slightly down 6.4% on last year’s \$35.8 million. SunRice paid a final C13 paddy price of \$293.61 per tonne for medium grain (Reiziq) and \$403.61 per tonne for Koshihikari, down 7.5% on last year; and a fully franked dividend of 23.0 cents per B Class share, representing a payout ratio of 43%, up from 40% the prior year.

2013/14 was a year in which we built on our strengths. We continued to invest in our products, our people, our operations and our brands and we leveraged what were at times difficult circumstances to deliver these results.

I was pleased to share today that SunRice’s debt is the lowest it’s been since April 2007, when we acquired the storage sheds. In addition our global market share is the largest it has been in five years; we have invested \$54 million in capital improvements since the drought broke; and we are continuing to innovate and diversify to ensure resilience of SunRice’s earnings. In short, we are well poised for future growth.

Group Strategy well advanced

This past year has seen us make good progress on the Group Strategy, with revenue uplifts in all of our profit businesses and substantial investment undertaken to position the Group for the future. This includes our pending acquisition of the Blue Ribbon Rice Group’s rice milling assets, which is subject to ACCC clearance.

In line with our long term strategic aspirations, we are targeting Group revenue approaching \$2 billion annually over the duration of the strategic plan, a return on funds employed of more than 15%, and paddy returns that compel our A Class shareholders and growers to deliver us future crops of at least 950,000 tonnes to meet market demand.

Outlook for 2014/15 – Group profit after tax increase and C14 paddy price uplift

In order to assist our A Class shareholders and growers’ planning for the year ahead, we were pleased to make an early - and substantial - lift to the indicative paddy price for C14 today.

Following a strong first quarter in our pool business, we announced a \$20 boost to the C14 paddy price, taking the indicative full year price for the crop just harvested to at least \$340 per tonne for medium grain (Reiziq) and \$470 per tonne for Koshihikari. While we will seek to maximise the final C14 paddy price, subject to market conditions, we wish to advise that our growers shouldn't expect a series of further uplifts in the months ahead.

The outlook is also positive for our profit businesses and we expect Group profit after tax to be 10% higher year-on-year, assuming current market conditions prevail. There is significant potential to expand SunRice's profit businesses, however as we shared today, access to capital is critical to realising these outcomes and others.

Capital Structure Review update

With respect to the Capital Structure Review, developing a solution to preserve the rice industry's structure and deliver on the Review's objectives has required significant time and investment. It's important to acknowledge that what we are trying to do is very difficult. It is new and uncharted ground and as a result it is critical that we get this right.

In line with this, we have considered, explored, refined and rejected a range of possible solutions since the Review commenced. However we are pleased to advise that as recently as last week we have had constructive discussions which could result in a proposition being put to our shareholders.

While there is still much work to do, the potential solution aims to deliver on our commitment to preserve the essential elements of the industry's structure, as it is today. The Board is in absolute alignment with the feedback received from you regarding preserving A Class shareholder rights or grower control on an **ongoing basis**. This includes:

- The right to elect Directors to the SunRice Board;
- The A Class Shareholder voting majority – that is 75% of A Class Shareholders have to vote in favour of any change of control of the company and of any change to the Constitution; and
- A Class Share eligibility, which is tied to the delivery of 200 tonnes of rice in the two most recent seasons.

There is no path forward for SunRice without this in place. At the same time, we anticipate that any solution we bring back to you will also unlock capital for growth, reduce business risk, and improve the liquidity and value of B Class Shares in line with the Review's objectives. We look forward to sharing more when the information is available.

Thank you for your ongoing support. We welcome your partnership and dialogue on these and other matters as the C14 year continues.

Yours sincerely,



Gerry Lawson AM
Chairman