



Update on SunRice's Capital Structure Review

Important information on a potential new capital structure designed to equip SunRice for the future and benefit both A and B Class shareholders, while preserving grower control on an ongoing basis.

Important Notices

This document has been prepared by SunRice for the sole purpose of providing information to its shareholders and growers on a potential new capital structure for SunRice and to seek feedback on it. The potential capital structure as outlined in this document is a preliminary proposal and no decision has been made to implement a new capital structure for SunRice, whether as outlined in this document or otherwise.

Nothing in this document constitutes an offer, intended offer, invitation to offer or recommendation, in any place, to acquire shares in SunRice (or any interest in them) or securities in the fund that would be established if the potential new capital restructure is implemented, or constitutes any financial product advice. This document does not contain all information that would be required in an explanatory statement or product disclosure statement prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**). If a decision is made by SunRice to offer any shares or securities as part of a capital restructure, that offer will be made in a document prepared in accordance with the disclosure and other requirements of the Corporations Act.

SunRice has engaged in discussions with the Australian Securities and Investments Commission (**ASIC**), Australian Securities Exchange (**ASX**) and Australian Taxation Office (**ATO**) in relation to the potential capital structure. However, ASIC, ASX and ATO have not expressed their final views in relation to the potential capital structure and their final views will be subject to further information and final documents being provided to them. The information in this document is based on feedback from ASIC, ASX and ATO to date, but may change based on their final views.

This document has been lodged with the National Stock Exchange of Australia (**NSX**).

None of ASIC, ASX, ATO or NSX, or any of their respective officers, endorses or takes any responsibility for the contents of this document or the potential capital restructure.

This document contains forward looking statements, which may sometimes be identified by the use of forward looking words such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “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 document reflect views held as at the date of this document. However, forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, events, performance or achievements to be materially different from expected future results, events, performance or achievements expressed or implied by those statements. None of SunRice or its directors or officers, or any other person gives any representation, assurance or guarantee that the results, events, performance or achievements expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such statements.

The information in this document is general in nature and does not take into account the investment objectives, financial situation or particular needs of any shareholder or any other person. If in doubt, you should consult your own financial or other professional advisor.

Letter from the Chairman and CEO of SunRice



Dear Grower / Shareholder,

We are pleased to share with you the details of a potential new capital structure designed to equip SunRice and our growers and shareholders for the future. This booklet covers the material presented at our meetings in March and includes answers to key questions raised by participants.

The structure we are presenting represents a significant and tangible opportunity to change the way we fund SunRice's growth and build an Australian-controlled food company of scale that can more effectively compete in global markets to benefit all growers and shareholders. Importantly, it is able to deliver these outcomes while preserving the key features of our current structure, including enduring grower shareholder control for those of us who are growers today, and for the generations to come.

The SunRice Board launched the Capital Structure Review for several reasons, including the fact that SunRice's ability to change to overcome challenges and to leverage opportunities has always been intrinsically linked to our success. We are no strangers to change at SunRice – in fact it has been the only constant in our 60 year heritage from a fledgling co-operative to a major company and a global exporter. At the same time we have benefited from what is a rare experience; to own and control our destiny as rice growers, and this will not change.

The Board has invested the time and resources necessary to develop a potential model that is unique to SunRice and can meet the needs of our company and shareholders within a dynamic and increasingly competitive global environment. As a result, we have developed a proposed model that preserves the following fundamental elements of the SunRice business:

- The SunRice Board would continue to comprise a majority of Grower Directors;
- There would be no change to how paddy prices or dividends are determined currently, protecting both sets of shareholders' interests; and
- The key features of our current structure would continue on an ongoing basis, specifically:
 - A Class shareholder control (or grower control), including a requirement that 75% of A Class shareholders vote in favour of any changes to the SunRice Constitution and approve any offers from a third party to take over SunRice; and
 - B Class shareholders would maintain economic rights in SunRice.

The potential model has the ability to provide access to a deeper pool of equity capital than is currently available to SunRice to better enable investment in the growth of the business for the benefit of all shareholders. Significantly these benefits include the ability to grow demand in offshore markets to maximise Australian paddy returns for our grower shareholders and enable us to reduce business risk and better withstand shocks like drought, floods and economic downturns. The potential model should also deliver better value in share price and trading liquidity for our investor shareholders over time.

We are also acutely aware of the benefits that vesting and the Sole and Exclusive Export Agreement provide to SunRice and our growers, and will continue to engage with the Rice Marketing Board for the State of NSW regarding these important features.

Your Directors have examined, pulled apart and rebuilt this model at length, in consultation with our advisors and with input from the regulators. We are satisfied that if implemented, this structure will enable SunRice to become a stronger business for all shareholders.

This booklet sets out information about the potential model and its key features and why the Board believes this change is timely. This next step however, remains a decision for you, our shareholders. As you well know, this is an important decision and there is no deadline attached to it. We will be taking as much time as needed to ensure questions are answered and there is comfort with the approach before we go any further. This model will not go to a vote unless there is clear support from the majority of our shareholders.

Your feedback is crucial to this process and we welcome your questions, concerns and comments at every step. In addition to the feedback avenues listed in section eight of this booklet, we encourage you to discuss the potential structure with your Directors and your advisors. We look forward to your partnership as we work together in the weeks and months ahead.

Yours sincerely,


Laurie Arthur
Chairman


Rob Gordon
CEO

1. The need for change

There is a significant consolidation happening across the food and agriculture industries in Australia and around the world.

Large global agribusinesses such as ADM, with turnover of just over US\$80 billion; Bunge, with revenue of more than US\$60 billion; and Glencore, with revenue of US\$233 billion; have acquired a range of domestic businesses in Australia in recent years, leveraging their value as part of their global networks and footprint. The same is true in off-shore markets – COFCO, The Irish Dairy Board and Saputo have all made aggressive bids for peer companies to build competitiveness.

While this dynamic global environment of consolidation and competition presents challenges for companies like ours, it also represents a significant opportunity for SunRice and provides new possibilities for growers and shareholders. This includes the opportunity to grow our branded presence in world markets and secure premium paddy returns for Australian growers.

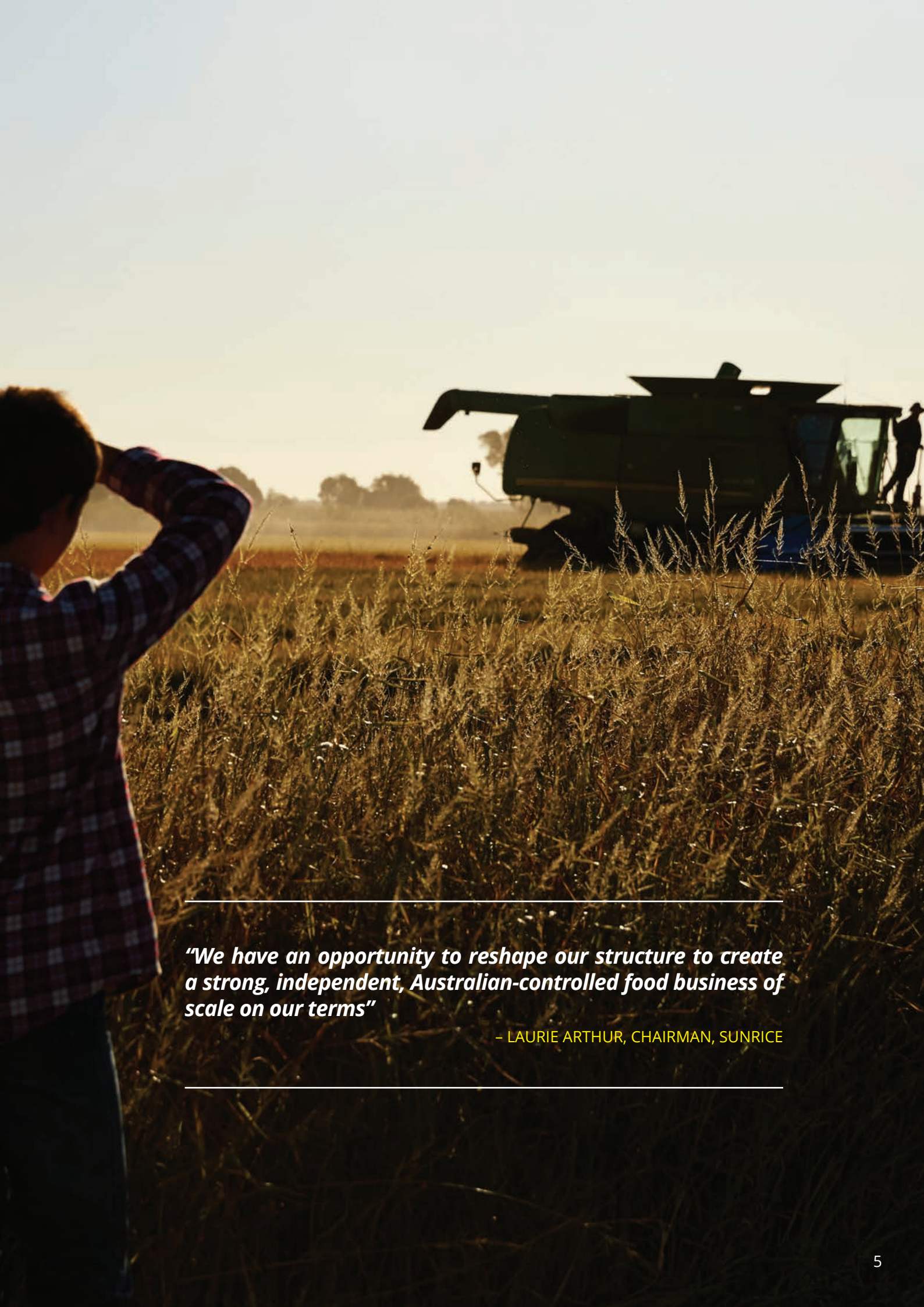
At 1.1 million tonnes, current demand is larger than can be consistently supplied from the Riverina. Even with the 950,000 tonnes we are targeting from Australian production, there is a shortfall that needs to be filled.

Access to Australian paddy will always be fundamental to our business and is, in fact, critical to many of our existing and new markets. However, while we will continue to do everything we can commercially to encourage local production, our global customers have an expectation that we will continue to supply rice, irrespective of local conditions. The ability to fulfil this expectation is in the best interests of our growers and shareholders, for two reasons:

- **RESILIENCE FOR THE FUTURE:** Firstly, having access to offshore sources of rice beyond the Riverina means the ability to respond to another drought without having to downsize our businesses and lose our people. The cost of up-skilling and expanding operations, marketing, sales and other core functions, as well as the re-entry into overseas markets over the past few years has been significant.
- **PREMIUM RETURNS IRRESPECTIVE OF LOCAL CROP SIZE:** Secondly, it would provide us with an exciting opportunity to build our branded presence in global markets. We don't want to just maintain the markets we have, we want to grow them, aggressively. Why? Because growing demand off-shore beyond our Australian supply base puts us in a powerful position to either place a larger Riverina crop or accommodate a smaller one through trading. Significantly, this means always giving first choice of premium markets to our Riverina growers, ensuring the highest possible paddy returns.

In short, the greater the demand we can build offshore, the greater likelihood of better returns, and the greater resilience we will have as a company. As we shared during our March meetings, investment is required to reduce business risk, access offshore rice, grow our markets and to create a strong, independent, Australian-controlled food business of scale that has the ability to compete with multinationals and others. However the level of risk appetite and regulation in global financial markets has changed considerably in the past decade. This investment in the future will require access to a larger pool of capital than can be sensibly expected to come from our existing shareholders.

That is why we are seeking your feedback on a unique capital structure that enables us to list on the Australian Securities Exchange (ASX) and access this equity capital, without compromising grower control in any way.



"We have an opportunity to reshape our structure to create a strong, independent, Australian-controlled food business of scale on our terms"

– LAURIE ARTHUR, CHAIRMAN, SUNRICE

2. What does the potential capital structure aim to achieve?

In reviewing SunRice's structure, the Board was mindful of A Class shareholder concerns that a new model might expose the business and paddy returns to pressure from investor shareholders, somehow change the focus of the company, or make it more vulnerable to takeover.

As a result, we sought to formulate a unique model that addresses those issues, while enabling access to a deeper pool of equity capital at a lower cost than is currently available to invest in the growth

of the business for the benefit of **both** classes of shareholders as outlined below.

If implemented, there would be no fundamental change to A Class Shares or A Class shareholder control, no change to the SunRice Board or key management, and no change to the existing policies in place that determine paddy payments and dividends and protect both sets of shareholders' interests. These would continue as they do today.

BENEFITS OF POTENTIAL CAPITAL STRUCTURE FOR A AND B CLASS SHAREHOLDERS

CONTROL AND OTHER FEATURES PRESERVED:

- The Board would continue to have a majority of Grower Directors.
- No change to how paddy prices or dividends are determined currently, protecting both sets of shareholders' interests.
- The key features of our current structure preserved on an ongoing basis. That is:
 - A Class shareholder control, or grower control, including the A Class shareholder voting majority, which means a 75% approval from A Class shareholders is required to change the Constitution and approve any offers from a third party to take over SunRice; and
 - B Class shareholders maintain economic rights in SunRice.

GROWER / A CLASS SHAREHOLDER BENEFITS

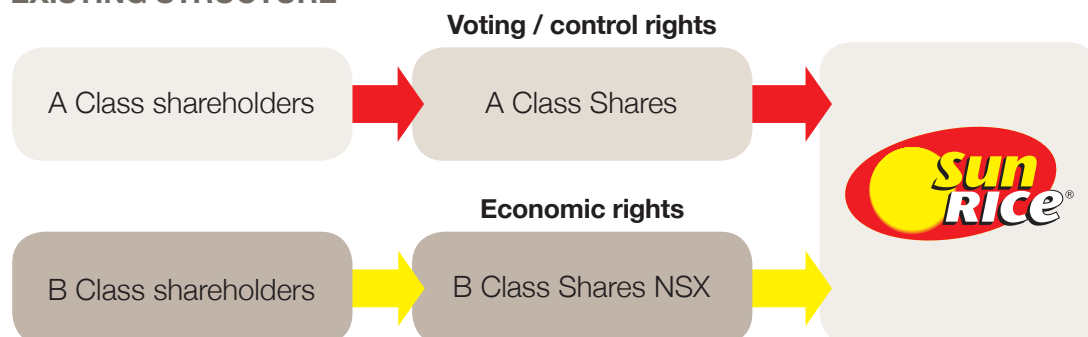
- For our grower or A Class shareholders, the model is expected to better enable us to build an Australian icon of true scale that should be better placed to:
 - Effectively compete in a dynamic global business environment, which includes increasing consolidation of food and agriculture companies.
- Continue to grow demand off-shore beyond our Australian supply base, enabling us to place a larger Riverina crop or accommodate a smaller one through trading, thereby maximising Australian paddy returns in the long term.
- Have the resilience to withstand future downturns in crop and economic conditions, allowing us to better manage business risk.

INVESTOR / B CLASS SHAREHOLDER BENEFITS

- For our investor or B Class shareholders, the model is expected to:
 - Potentially deliver a significant uplift in B Security price over time.
 - Increase liquidity, enabling B Class shareholders to realise their investment in SunRice when they choose to do so, whether that's selling their securities, borrowing against them or investing further in the business.
 - Address estate planning issues.

3. Our existing structure

EXISTING STRUCTURE



SunRice is currently listed on the National Stock Exchange of Australia (NSX). Under our existing structure A Class shareholders have voting control of the company and B Class shareholders have the economic rights to receive dividends from SunRice.

We have an obligation to both sets of shareholders and operate under a Board policy that determines how paddy pool returns are calculated and similarly how dividends are determined. This would not change under the model being considered.

To explain how this works:

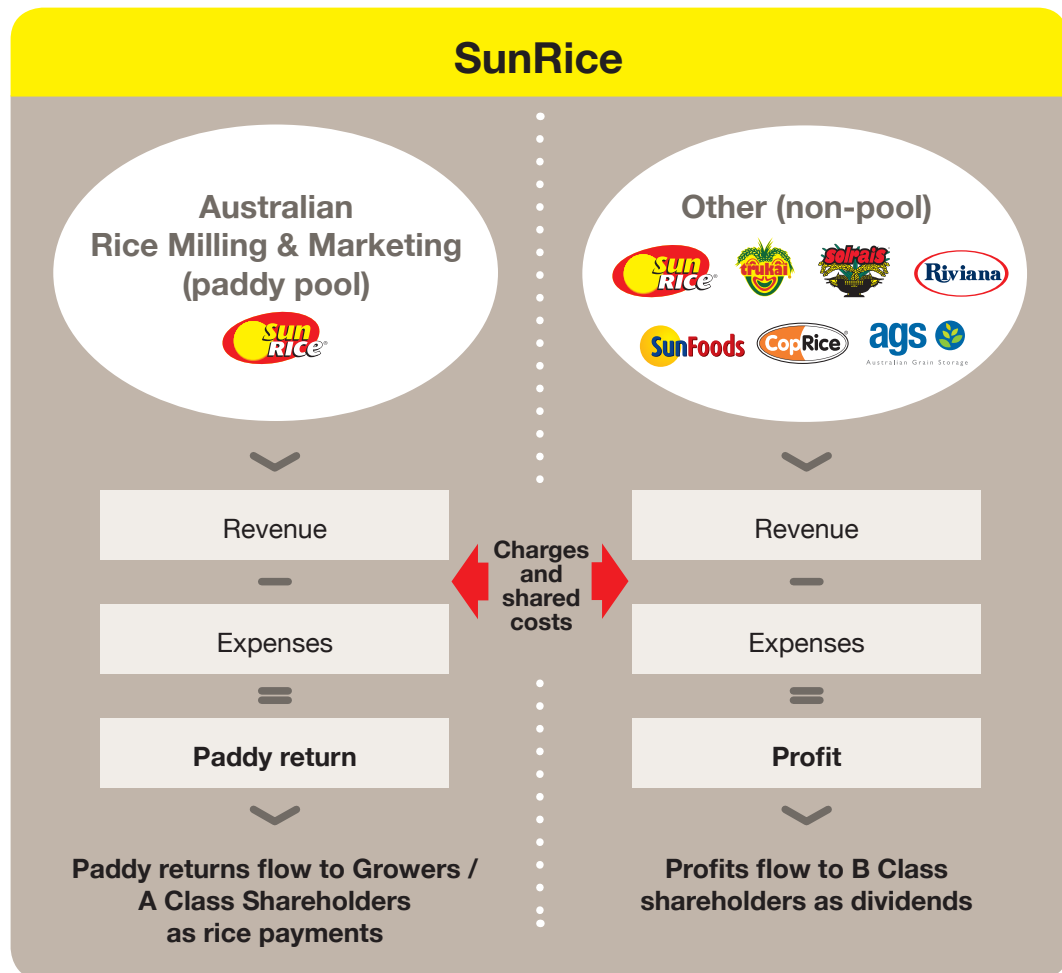
- **PADDY POOL RETURNS:** Our Australian Rice Milling and Marketing business – or what we call our pool business – is aligned to our growers and A Class shareholders. This business is the paddy pool for our Riverina-grown rice. The pool comprises all revenue from the sale of that rice less relevant costs and is paid out in the form of paddy returns.
- That means capital expenditure that is focused on increasing operational efficiency in the Riverina or improving access to premium markets for Australian rice should deliver a return on investment for Australian Rice Milling and Marketing that flows through into the paddy price.

- **DIVIDENDS:** Our non-pool businesses, including Rice Foods, SunFoods, Riviana and CopRice, are aligned to our investor or B Class shareholders. Profits made in these businesses, less retained earnings, flow through to our B Class shareholders in the form of dividends.

The allocation of revenue and expenses between the pool and non-pool businesses is the subject of SunRice's Paddy Price Policy and includes items such as input pricing, corporate cost allocation and asset finance and brand charges.

A diagram showing this separation between the pool and non-pool businesses is included overleaf.

DETERMINATION OF PADDY PRICES AND DIVIDENDS



Only at the Board's discretion and in the best interests of the business as a whole, can we divert from this separation model, as we did during the drought when we drew on the strength of our non-pool businesses to supplement paddy payments and keep Australian Rice Milling and Marketing functioning. That action, and the outcome, was of course in the long term interests of both sets of shareholders and SunRice

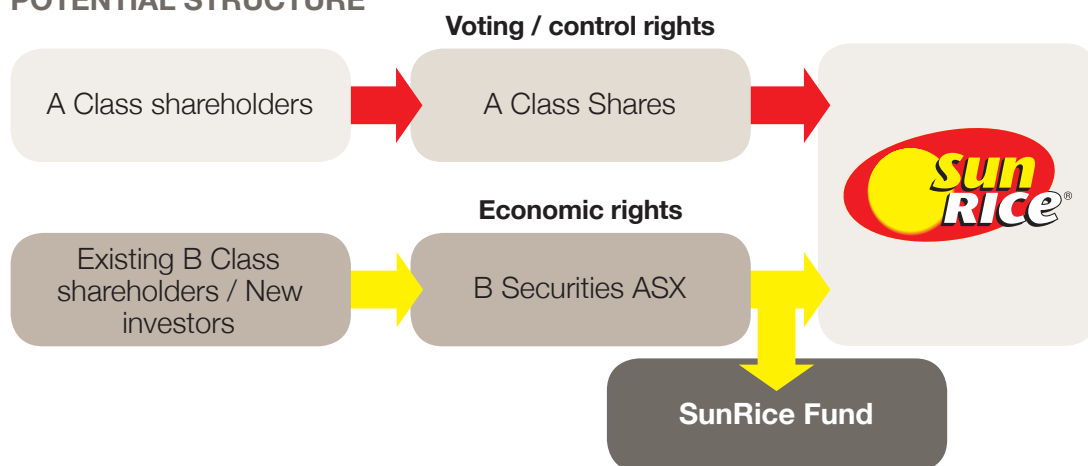
and is one of the key reasons we are still in operation today.

In addition, the Paddy Price Policy ensures that the returns for the highest yielding international markets benefit our Riverina growers, maximising local returns in line with our commitments under vesting and the Sole and Exclusive Export Agreement. This would not change under the model being considered.

The policies which govern how the paddy pool is operated and how dividends are determined are well established. These policies will not change under the potential new model, nor will our business, board or key management positions.

4. The potential structure

POTENTIAL STRUCTURE



The structure we are seeking your feedback on is unique to SunRice and involves a listing on the ASX.

In line with our existing structure, A Class Shares would retain control of SunRice, including the 75% approval for any change of control event of the company. Importantly, this level of control is enduring and doesn't slip away over time or end at a certain point, unless A Class shareholders determine otherwise.

However B Class Shares would be modified and renamed B Preference Shares and held in a new entity called the SunRice Fund. The securities in that Fund (SunRice B Securities) will be issued to B Class shareholders on a one for one basis. The SunRice B Securities would have the same economic rights as B Class Shares, most importantly, the right to receive dividends, and will be tradeable on the ASX.

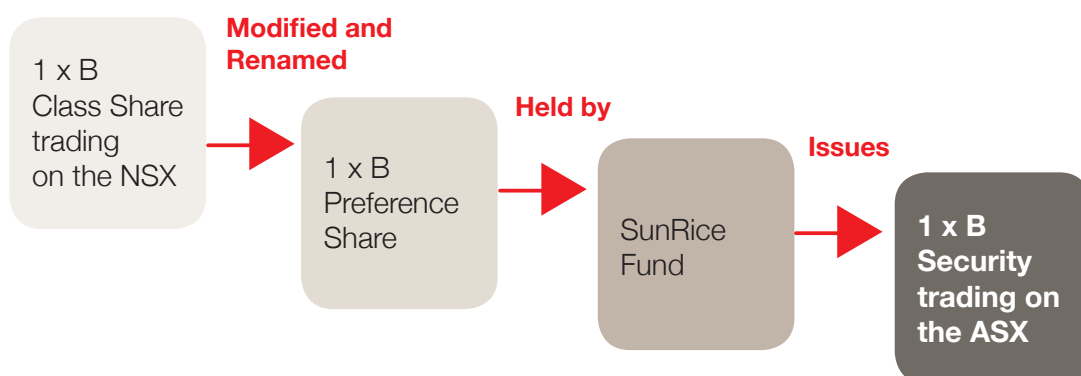
The potential new capital structure includes the following key features:

- No fundamental change to A Class Shares or A Class shareholder control.
- The creation of the SunRice Fund, to be listed on the ASX, and the issue of **SunRice B Securities** to existing B Class shareholders in exchange for their B Class Shares, on a one for one basis.
- B Class Shares are modified, renamed "B Preference Shares" and transferred to the new SunRice Fund.
- Dividends from the B Preference Shares will flow through to the SunRice B Securityholders.
- Once listed on the ASX, the SunRice B Securities will become tradeable and may be purchased by investors generally.
- The continuation of the existing SunRice business, including no change to the way paddy returns and dividends are determined, protecting both sets of shareholders' interests.
- While the implementation of the new capital structure is not expected to trigger a capital gains tax event, a ruling from the ATO will be sought to confirm this if we move forward. Following any restructure normal tax rules would apply to the sale of SunRice B Securities, which would be the same as those that currently apply to B Class Shares.

Under this model SunRice B Securities would be able to be bought and sold by all investors on the ASX, including our existing A and B Class shareholders. This open market provides a greater number of potential shareholders and is therefore expected to be far more liquid than is currently the case on the NSX. As a result it should provide the company with access to a deeper pool of capital than under our current structure. In turn, we anticipate that it would also provide our B Class shareholders with a potential significant uplift in the share price over time.

Further information about the Fund and how B Class Shares change is provided in the following pages.

HOW DO B CLASS SHARES CHANGE UNDER THE POTENTIAL MODEL?



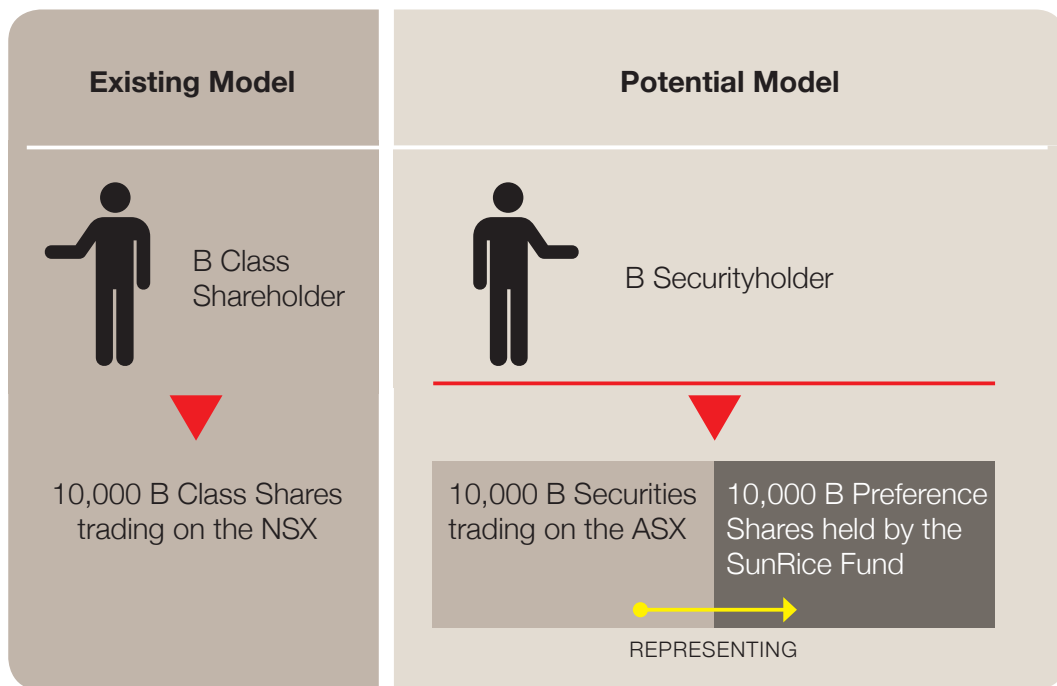
Under the new model, a delisting from the NSX would take place and existing B Class Shares would be modified and renamed B Preference Shares.

Each B Preference Share would be held in a new entity called the SunRice Fund.

For every B Preference Share, one B Security would be issued to existing B Class shareholders.

The SunRice B Securities would have the same economic rights as the old B Class Shares, most importantly the right to receive dividends, and can be bought and sold on the ASX.

So, for example, if you're a B Class shareholder with 10,000 B Class Shares today on the NSX, under the new model you would be a SunRice B Securityholder with 10,000 SunRice B Securities on the ASX, reflecting your interest in 10,000 B Preference Shares held in the SunRice Fund, as shown at the top of the next page.



WHAT IS THE SUNRICE FUND?



The SunRice Fund would be established as a trust and regulated as a registered managed investment scheme (MIS). To clarify, the MIS structure being proposed is different to the kinds of tax-driven agricultural investment structures that failed during the Global Financial Crisis.

Examples of successful MISs include Fonterra's Shareholder Fund and Sydney Airport. The SunRice Fund preserves grower shareholder control, whilst enabling us to access capital and distribute dividends on behalf of the SunRice operating business.

If implemented, the Fund would be managed by a Responsible Entity on behalf of the SunRice B Securityholders. The Responsible Entity would be a wholly owned subsidiary of SunRice. A licensed custodian would also be appointed to protect Securityholders' interests by holding the B Preference Shares.

Under the potential new model, the separation between the pool business and paddy returns, and our non-pool businesses and dividends, would continue and still be determined within SunRice by the SunRice Board. This would not change and both sets of shareholder interests would continue to be protected in this way.

Details of the model have been shared with all relevant corporate regulators, including ASX and the Australian Securities and Investments Commission (ASIC) and Australian Taxation Office (ATO). Based on discussions and correspondence to date, we believe that the potential model can be implemented, although their final views will be subject to further information and final documentation being provided to them. We have also discussed the model with the Rice Marketing Board for the State of NSW (RMB) and will continue to liaise with the RMB members.

5. Share features under the potential new structure

The key changes to features for A and B Class Shares if the structure is implemented are listed below.

WHAT IT MEANS FOR A CLASS SHAREHOLDERS

No fundamental change to A Class Shares, preserving grower shareholder control

Feature	Before	After
Director appointment to SunRice Board	✓	✓
Majority of grower / A Class Directors	✓	✓
Eligibility criteria to hold A Class Shares	✓	✓
75% vote on change of control of SunRice	✓	✓
Changes to SunRice Constitution	✓	✓
Paddy Pricing Policy	✓	✓

If implemented, for A Class shareholders there would be no change to the fundamental nature and voting rights of your A Class Shares or your eligibility to hold them. This model ensures SunRice's future would continue to be aligned with and controlled by those who rely on it year in, year out. That includes A Class shareholders retaining:

- Ongoing rights to appoint Directors to the SunRice Board. Under the Constitution, Grower Directors comprise the majority, further protecting A Class shareholders' interests.
- Ongoing control of SunRice with no erosion in control rights over time, unless you determine otherwise by a 75% majority.

This is a critical element. The only way grower shareholder control rights could change or a takeover of SunRice could proceed is in the same way it is handled today – that is via a vote of SunRice that secures 75% approval from A Class shareholders. If this majority is not secured, this change cannot proceed. There is no sunset clause here. This is enduring, unless you determine otherwise.

As a part of that, even if someone acquired a substantial interest in the SunRice Fund that investment would only give them an economic interest in SunRice. The voting rights in SunRice would remain attached to the A Class Shares. As an A Class shareholder you would retain the right to determine the composition of the Board, any changes to the SunRice Constitution and therefore the direction of the company, including the existing policy in place that governs pool returns and dividends.

Additional benefits for A Class shareholders include:

- The potential for SunRice to strengthen the balance sheet to create stability and minimise business risk during times of drought, economic uncertainty or other circumstances.
- Better access to capital to fund investment in all parts of the business, including Australian Rice Milling and Marketing, the benefits of which flow through into the paddy price.

The only way grower shareholder control rights could change or a takeover of SunRice could proceed is in the same way it is handled today – that is by way of a vote of sunrice shareholders that includes 75% approval from A Class shareholders. If this majority is not secured, this change cannot proceed. There is no sunset clause here. This is enduring, unless you determine otherwise.

WHAT IT MEANS FOR B CLASS SHAREHOLDERS

Feature	B Class Share	B Securities
Dividends	✓	✓
Director appointment rights	✗	✗
Voting rights in SunRice (only on “variation of rights”)	✓	✓
Ownership / estate planning	Restricted	Unrestricted
Liquidity / share price uplift	Limited	Potential for significant uplift over time
5% holding cap	Cap	No cap
75% vote on change of control of SunRice	✓	✓

If implemented, for our B Class shareholders there would be no changes to how dividends are determined or the appointment of Directors. Both would effectively be the same as they are today.

There would also be no major changes to voting rights in SunRice. B Securityholders would not have any right to vote at general meetings of SunRice. However any variation to the rights of B Preference Shares would require approval from B Securityholders. The definition of what constitutes a variation of rights is proposed to be extended to better protect B Securityholders.

The major proposed changes for B Class shareholders under the potential model relate to transferability, the shareholding cap and ownership and liquidity. This includes:

- Moving from a restricted ownership (whereby B Class Shares can only be held by current and former growers and employees) to ownership by all investors. This open market and an ASX listing should drive improved liquidity and access to new capital. The ability to trade SunRice B Securities on an

open ASX market should also, in the Board's view, provide an improved market value for SunRice B Securities over time, compared to the value of B Class Shares on the thinly traded NSX market.*

- The limited transferability that exists today would be removed, which is one way of addressing estate planning issues. B Securities would be able to be passed on to family members and anyone else you may wish to transfer them to.
- Under the potential structure, the 5% holding cap would be replaced by shareholding restrictions under the Corporations Act, which generally restricts ownership to 20%, although there are some exceptions. Further information on this is provided in the Frequently Asked Questions in section nine.

For B Class shareholders, the improved ability to raise capital is expected to help SunRice manage business risk and pursue activities that in turn increase dividends and capital growth for shareholders.

In addition to an improved ability to raise capital, it is anticipated that a more open ASX market should provide an improved market value for SunRice B Securities over time.

* It is important to note that the Board is not providing licensed financial advice and if, following your feedback, we move forward to implement this model, shareholders will be given more detailed information on these and other issues including an Independent Expert's Report.

6. The potential for uplift in share value over time

The SunRice Board believes that there is potential for a significant uplift in the value of SunRice's B Securities over time if the potential new capital structure is implemented. This is based on analysis that shows:

- Our existing B Class Shares trade at a significant discount compared to our peer companies at both the P/E (Price earnings) and Enterprise Value / EBITDA (Earnings before interest, tax, depreciation and amortisation) levels; and
- SunRice currently trades at a substantially higher dividend yield than our comparable peer group.

As a result, we expect a listing of B Securities on the ASX is likely to lead to an increase over time in the value at which SunRice B Securities trade, compared to the value at which SunRice B Class Shares currently trade on the NSX. This is based on all other factors being equal, for example profits and outlook.

Over time SunRice B Securities listed on the ASX are likely to trade at higher prices than the NSX listed B Class Shares as a result of the following:

- There will be no restriction on ownership of the SunRice B Securities, except for the restrictions under the Corporations Act.
- There is enhanced liquidity trading on the ASX.
- SunRice will be able to access a deeper pool of equity capital to ensure the company is positioned for growth.

Any uplift in value will benefit all SunRice shareholders, including:

- Our investor shareholders, who own only B Class Shares. This group includes former growers, and current and former employees; and
- Our A Class or grower shareholders who, as at July 2014, held approximately 70% of SunRice's existing B Class Shares.

While we know that some of our shareholders wish to understand what the extent of the likely value uplift will be, it's not possible to reliably predict this for a number of reasons:

- The potential structure is unique to SunRice;
- SunRice's operating business is not exactly comparable to any of its peer set and therefore faces different risks and will be valued differently by investors;
- Each company has its own challenges and opportunities and will be individually assessed by the market;
- SunRice is significantly smaller than some of the peer group;
- The SunRice B Securities are an indirect interest in SunRice, and do not entitle their holders to voting rights at general meetings of SunRice;
- SunRice has a relatively greater exposure to variable water availability and drought conditions compared to some of its peers; and
- Liquidity may not be immediate.

It's important that we remind you that the Board is not licensed to provide financial advice. If we move forward with the potential model following your feedback, an Independent Expert's Report will assess the Capital Restructure and will provide guidance to shareholders on the likely future value of B Securities and other matters.

RELATIVE VALUATION - TRADING COMPARABLES

There are a number of methods used to value companies. Trading multiples are one of the most common tools in valuing companies simply and quickly. Trading multiples compare the value of a business relative to other businesses based on their market value, relative to the size, quality and potential growth of a company's earnings.

Although we have few directly comparable peers, investors are likely to focus on the comparison of SunRice's trading multiples against other companies in determining value.

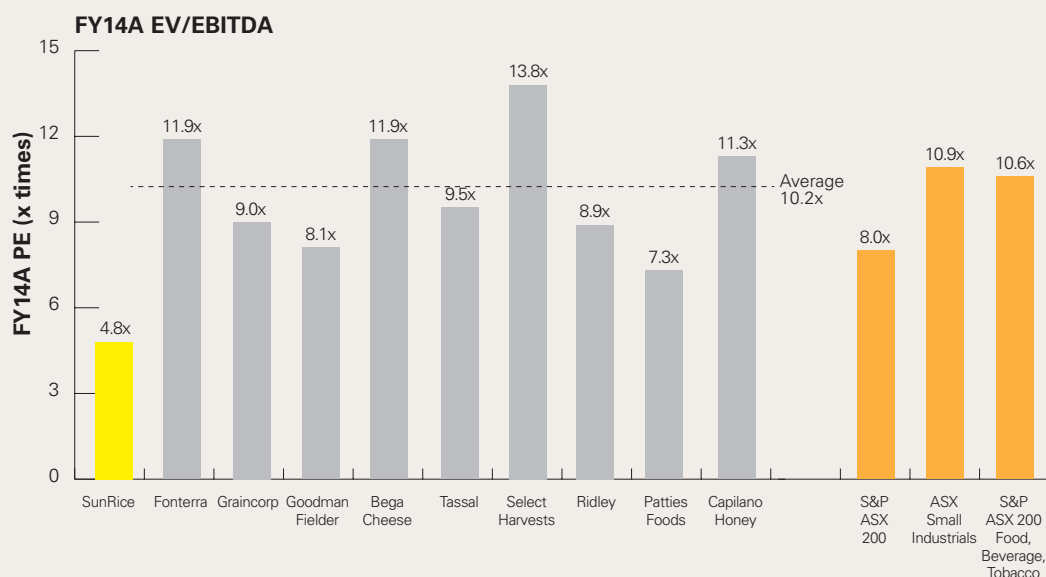
The following charts highlight SunRice's trading performance relative to our closest comparable peers based on commonly used multiples and metrics and have been made available on the NSX.

EV/EBITDA (FY14A)

Enterprise value / EBITDA multiple

- Enterprise value represents the total value of a business, including both debt and equity; that is, the value of the business regardless of funding.
- Earnings before interest, tax, depreciation and amortisation represent earnings available to both debt and equity.

SunRice's FY14 EV/EBITDA multiple of 4.8x has been trading at a significant discount to the peer set of 10.2x and the S&P ASX 200 – Food, Beverage, and Tobacco index of 10.6x



SOURCE: COMPANY FILINGS, FACTSET, AS AT 19 FEBRUARY 2015. COMPANY EARNINGS CALENDARISED TO 30 APRIL. 2014 INDICES MULTIPLES PROVIDED BY FACTSET.

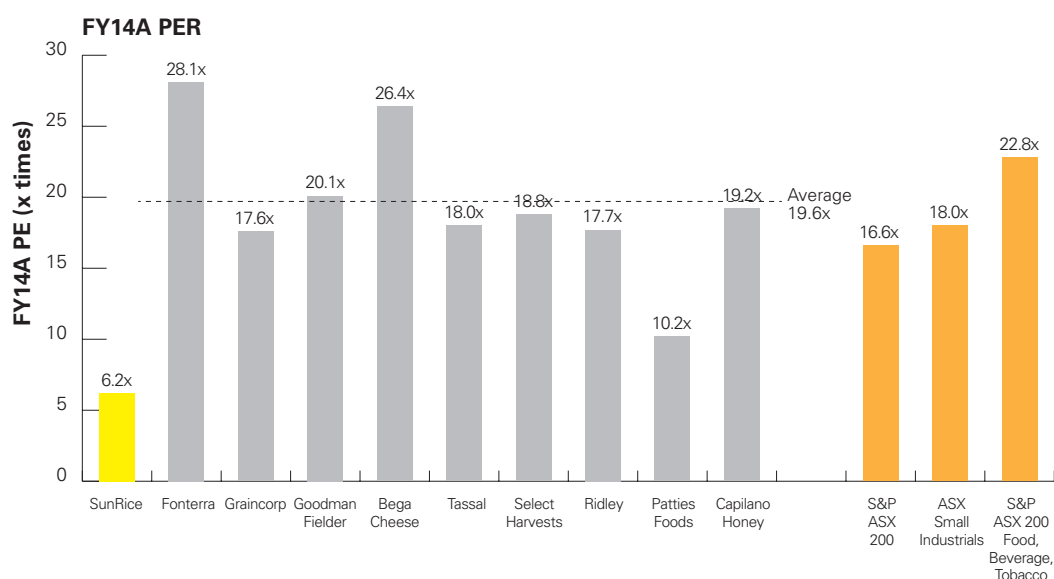
PRICE EARNINGS MULTIPLE (FY14A)

Price earnings multiple

- Price earnings multiples are based on those earnings only available to equity holders; that is, earnings after debt and tax obligations.
- The multiple is calculated as market capitalisation of the business, divided by net profit after tax OR share price divided by earnings per share.

$$\text{Price Earnings Multiple} = \frac{\text{Market capitalisation of the business}}{\text{Net profit after tax}} \quad \text{OR} \quad \frac{\text{Share price}}{\text{Earnings per share}}$$

SunRice B Class shares FY14 PE multiple of 6.2x has been trading at a significant discount to the comparable peer set of 19.6x and the S&P ASX200 Food, Beverage, and Tobacco index of 22.8x



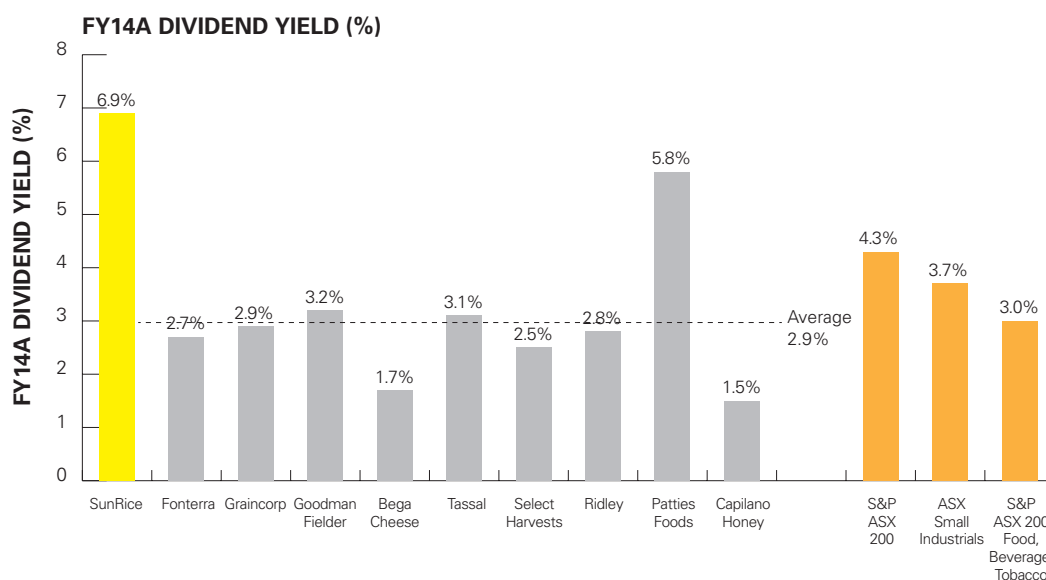
SOURCE: COMPANY FILINGS, FACTSET, AS AT 19 FEBRUARY 2015. COMPANY EARNINGS CALENDARISED TO 30 APRIL. 2014 INDICES MULTIPLES PROVIDED BY FACTSET. SUNRICE FY14 NPAT REPRESENTS EARNINGS ATTRIBUTABLE TO RICEGROWERS LIMITED SHAREHOLDERS.

DIVIDEND YIELD (FY14A)

Dividend yield

- Dividend yield represents the amount of dividends received per share relative to the current share price.

SunRice's dividend yield has been significantly higher than peers at 6.9%, compared to the comparable peer set of 2.9% and the S&P ASX 200 Food, Beverage, and Tobacco index of 3.0%



SOURCE: COMPANY FILINGS. FACTSET, AS AT 19 FEBRUARY 2015. COMPANY EARNINGS CALENDARISED TO 30 APRIL, 2014
INDICES MULTIPLES PROVIDED BY FACTSET.

7. Advantages and disadvantages of the model

The Board and our advisors have determined the key advantages and disadvantages of the potential model for A and B Class shareholders as outlined below. Please note if we move forward with this proposal following your feedback, further information will be provided to all shareholders well before any vote, including the Independent Expert's Report.

ADVANTAGES OF THE MODEL

Advantages A Class	Advantages B Class
Improved ability to raise capital and support future growth initiatives	Improved ability to raise capital and support future growth initiatives
Preserves existing control of A Class shareholders (active growers) on an ongoing basis	Expected enhanced liquidity for B Class shareholders
Should enhance SunRice's ability to grow the business to optimise paddy returns	Potential significant increase in security price for B Class shareholders over time
	Addresses estate planning issues

DISADVANTAGES OF THE MODEL

Disadvantages A Class	Disadvantages B Class
More expensive for A Class shareholders who do not hold B Class Shares to meet the minimum securityholding requirement	Potential for greater volatility in the market price of B Securities compared to B Class Shares
Potential for further dilution of alignment in A and B Class shareholder interests	B Securityholders would hold an indirect, rather than a direct, interest in SunRice through the Fund

8. Next steps

Significant time, resources and investment have gone into developing what is a unique model.

It does involve an ASX listing and we know that concerns some of you, however it preserves grower shareholder voting control on an enduring basis, enabling those of us who are growers and the next generation to own and control our destiny. As a result, there can be no change to the ownership of SunRice without the approval of A Class shareholders, as is the case with our existing structure.

It's important to understand that the Board believes the proposed structure is consistent with SunRice's fundamental objectives to optimise paddy price for our grower shareholders and to optimise capital growth and dividends for our investor shareholders. These objectives guide the Board today and will guide us in the future; this will not change.

As noted earlier, we welcome your feedback and encourage debate on the potential structure. The Board believes this is a strong workable model that fits well with our industry, but ultimately it is your decision as a shareholder that counts. Your feedback will determine whether or not this proceeds to a shareholder vote. There are a number of ways for you to provide your input or receive more information on the model:

1. Contact one of your Directors.
2. Visit the SunRice website (**www.sunrice.com.au/corporate/investors**) to access all the presentation materials, video content and provide feedback or ask questions.
3. Phone the shareholder hotline: 1800 020 806 or +61 3 9415 4260 (for international callers).
4. Provide feedback to consultants from the independent research firm, Georgeson, who will be calling all shareholders.



9. Frequently Asked Questions

What are the benefits of the potential new capital structure?

The Board and our advisors have developed a potential new capital structure which, if implemented, would provide a number of key benefits, including:

- Providing better access to capital to build a more robust business for the benefit of all shareholders;
- Preserving the key features of our current structure, including maintaining A Class shareholder or grower control on an ongoing basis and B Class shareholders retaining economic rights in SunRice;
- Enhancing SunRice's ability to grow the business to optimise paddy returns; and
- Enhancing liquidity and improving value for B Class shareholders.

What are the features of the potential new capital structure?

The key features of the model that we are seeking your feedback on are:

- No change to A Class shareholder control;
- A delisting from the NSX and the creation of the SunRice Fund, to be listed on the ASX. Attached to the Fund and the structure are a range of protections and mechanisms, including Responsible Entity and Custodian arrangements;
- The issue of securities in the SunRice Fund (SunRice B Securities) to existing B Class shareholders in exchange for their B Class Shares, on a one for one basis;
- The B Securities would have the same economic rights as the old B Class Shares, most importantly the right to receive dividends, and can be bought and sold on the ASX by investors generally; and

- The continuation of the existing SunRice business, including no change to the way paddy returns and dividends are determined, protecting both sets of shareholders' interests.

How would B Class shareholders retain their economic interest in SunRice?

B Class shareholders would retain their economic interest in SunRice upon implementation of the new capital structure. This will be achieved in the restructure through the original B Class shareholders exchanging their B Class Shares for SunRice B Securities in the SunRice Fund on a one for one basis.

Each B Security will entitle its holder to a beneficial interest in the underlying B Class Shares (which will be varied and renamed B Preference Shares), including the right to receive all dividends and other distributions. As a result B Class shareholders will retain an economic interest in SunRice equivalent to what they had as B Class shareholders.

Will there be any change to who can hold an A Class Share?

No, there will be no change to the current requirements that determine who can be issued with and hold A Class Shares. As is currently the case, only active growers who meet the supply qualifications in the SunRice Constitution can be issued with A Class Shares. These Shares cannot be traded and can only be issued and redeemed by the SunRice Board in accordance with the Constitution.

If the new capital structure is implemented, would SunRice continue to be regulated by the Corporations Act?

Yes, if the new capital structure is implemented, SunRice would continue to be a public company regulated by the Corporations Act and the SunRice Directors would continue to be subject to the duties and obligations set by the Corporations Act. Under the new structure:

9. Frequently Asked Questions

- SunRice would continue to prepare financial reports in accordance with the Corporations Act and these, as well as other information about the SunRice business, would be made available to SunRice B Securityholders;
- B Securityholders would have the same rights as existing B Class shareholders to attend SunRice's Annual General Meeting and other SunRice general meetings;
- SunRice would ensure that SunRice shareholders and B Securityholders are updated with developments in the SunRice business through the continuous disclosure obligations of SunRice and the SunRice Fund; and
- ASIC would continue to be in a position to hold SunRice and its Directors accountable for any breaches of the Corporations Act.

Would the SunRice Fund be regulated under the Corporations Act?

Yes, if the new capital structure is implemented, the SunRice Fund would be a trust structure established and regulated under the Corporations Act as a managed investment scheme.

- As required by the Corporations Act, the SunRice Fund would be operated on behalf of B Securityholders by a Responsible Entity (RE). The RE would be a wholly-owned subsidiary of SunRice and would be required to hold an Australian Financial Services licence. The RE would hold the B Preference Shares (through a public trustee company custodian) on behalf of B Securityholders.
- The SunRice Fund would be registered under the Corporations Act and the ongoing operation of the SunRice Fund would be subject to the Act.
- As part of the application of the Corporations Act to the SunRice Fund, an acquisition of more than 20% of the B Securities would be regulated by the Corporations Act.

- As the SunRice Fund would be listed on the ASX, it would also be subject to the ASX Listing Rules.

What additional costs would be required to operate the SunRice Fund?

There will be additional administrative costs associated with the SunRice Fund and its ASX listing, as compared to our current NSX listing. We estimate that these costs, which are in addition to the one-off costs associated with the establishment and listing of the SunRice Fund on the ASX, will be in the region of \$300,000 each year. These annual administrative costs will be paid by SunRice as long as the Responsible Entity of the SunRice Fund remains a wholly-owned subsidiary of SunRice.

What does the requirement for a 75% vote on a change of control of SunRice mean?

Currently, no change to the SunRice Constitution can be made, and no change in the voting control of SunRice can occur without a 75% vote of A Class shareholders. This will remain the same if the proposed capital structure model is implemented. For this purpose, a 75% vote of A Class shareholders means a resolution approving the change on which at least 75% of the votes cast by A Class shareholders, in person or by proxy, are in favour of the resolution.

Currently, if the rights of B Class shareholders are affected by a change to the SunRice Constitution or the change of control proposal, they would also need to consent to the change by resolution approved by at least 75% of the votes cast by B Class shareholders, in person or by proxy. If the proposed capital structure model is implemented, the Responsible Entity will seek directions from the holders of SunRice B Securities and the change would be required to be approved by at least 75% of the votes cast by SunRice B Securityholders.

Will someone be able to acquire a substantial interest in the SunRice Fund?

If the new model is implemented, the current 5% maximum B Class shareholding limit will be removed and there will be no similar limit imposed on the number of SunRice B Securities that may be held in the SunRice Fund. However, the following requirements would apply to investors in the SunRice Fund:

- Any person who (together with their associates) has 5% or greater voting power in the SunRice Fund is required to lodge a substantial holding notice on the ASX setting out the details of their voting power. Thereafter, any movement of one percentage point or more (e.g. a movement from 5% to 6%) of their voting power will also need to be disclosed on the ASX.
- The Corporations Act also prohibits a person (together with their associates) from acquiring more than 20% voting power in the SunRice Fund, unless that acquisition is made under one of the specified exceptions in the Corporations Act. For example, by way of:
 - A formal takeover bid for the Fund; or
 - The “3% creep” exception, which allows a person who has voting power of at least 19% to acquire up to a further 3% voting power in the Fund every six months.
- If a non-government foreign investor proposed to acquire an interest in the SunRice Fund which would give it a 15% or more beneficial interest in SunRice, Foreign Investment Review Board (FIRB) approval would be required. FIRB approval would also be required if a number of non-government foreign investors together proposed to acquire an interest of 40% or more. An exception to this would apply to non-government investors from certain specified countries with which Australia

has free trade commitments (including the United States, New Zealand and Japan), where FIRB approval would only be required if SunRice were valued at \$1,094 million or more (this threshold is indexed annually). All foreign government investors proposing to acquire an interest of 10% or more will need to obtain FIRB approval regardless of the value of SunRice.

However, it is important to note that while someone could acquire a substantial interest in the SunRice Fund, that investment would only give them an economic interest in SunRice. The voting rights in SunRice would remain attached to the A Class Shares.

Can B Preference Shares in SunRice be withdrawn from the SunRice Fund?

In accordance with the proposed SunRice Fund Constitution, each holder of a SunRice B Security would have a beneficial interest in a corresponding B Preference Share in SunRice. This arrangement would include the right to become the direct registered holder of the B Preference Share by transferring it out of the Fund.

In order to discourage this, we propose including the right for SunRice to buy-back, or have a third party purchase, any B Preference Share that is transferred out of the Fund at a discount to its market value. This is one of the safeguards we propose putting in place to protect the integrity of the Fund over the long term.

Could the SunRice Fund be changed in the future?

The features of the SunRice Fund have been designed to reflect the unique nature of the new capital structure model and the ongoing interaction between SunRice, as the operator of the SunRice business, and the SunRice Fund, as the holder of the B Preference Shares. This close relationship between SunRice and the SunRice Fund is reflected in the fact that the Responsible Entity of the Fund would be a subsidiary of SunRice.

While the intention is to maintain this structure, the Board recognises that the Corporations Act would give SunRice B Securityholders rights to change the Responsible Entity and amend the terms of the SunRice Fund Constitution. In order to reduce the possibility of any adverse change to the Fund structure occurring, the Board has formulated a number of protective mechanisms for inclusion in the Constitutions of SunRice and the SunRice Fund. These mechanisms are subject to regulatory review and their details will be shared as part of the information provided to our growers and shareholders if a decision is taken to progress the new capital structure model.

Will the Australian Competition and Consumer Commission (ACCC) object to the restructure?

The ACCC regulates competition and consumer issues in Australia under the Competition and Consumer Act. SunRice has received legal advice that, as the restructure does not involve SunRice buying shares or assets and just involves an internal restructure of share capital, there will be no basis for the ACCC to object to the proposed capital restructure.

Will vesting or SunRice's single desk export rights be affected?

Rice vesting and the Sole and Exclusive Export Agreement is critically important to our growers, our region and to SunRice. These arrangements ensure we are able to maximise NSW paddy pool returns from export markets and, as a result, we consider every initiative against the backdrop of retaining the benefits of vesting for our growers.

In line with this, we are working with the Rice Marketing Board for the State of NSW to brief them on the detail of the proposed capital structure model and to answer any questions they may have.

Would A Class shareholders be required to hold SunRice B Securities?

If the new capital structure is implemented, the current requirement for A Class

shareholders to acquire at least 3,000 B Class Shares will change to a requirement to hold at least 3,000 B Securities. Ownership of each B Security will give the holder a beneficial interest in the underlying B Preference Share held by the SunRice Fund.

It is important for A Class shareholders to acquire and retain this minimum investment, as the failure to hold at least 3,000 B Securities would result in their A Class Shares being liable to redemption.

What will the Board do to prevent control of the company being left in the hands of a few remaining A Class shareholders if there is a drought?

Under the Constitution, the Board has discretion to not redeem an A Class Share if it believes that a shareholder, who is no longer an active grower, will resume growing rice. For example, during periods of drought or low water availability.

The Board has a policy that covers the redemption of A Class Shares and the formal steps that are required when it determines to exercise its discretion. These include:

- Determining and documenting:
 - The criteria for assessing if the inactive A Class shareholder will resume growing rice. For example, that the grower had inadequate water to grow a summer crop; and
 - How the Board will gather the information to make its decision. For example, by writing to each of the inactive A Class shareholders and seeking information regarding their water availability to grow a summer crop.
- Subsequent meeting/s to consider the information the Board requires to make its decision.

This policy reflects the process that the Board followed during the drought years, when production dropped to just 19,000 tonnes and we have no intention to deviate from that precedent.

What will attract future external investors?

There are a range of factors that the Board and our advisors believe would make SunRice B Securities an attractive investment. Specifically, SunRice has:

- An established milling and marketing operation that provides the cornerstone for a long term mutually beneficial relationship with rice growers;
- An established global distribution platform for rice products;
- The ability to leverage our international distribution platform to distribute value added and internationally sourced rice products into existing export markets;
- A well-diversified portfolio across operating segments by end-market (e.g. consumer branded products, animal feed etc) and geography;
- A strong growth track record under current management, having grown NPAT by 262% over the last four years, with a variety of case studies to evidence initiatives undertaken to enhance shareholder value;
- A strong track record of innovation to enhance shareholder value; and
- A history of paying consistent dividends to our shareholders.

How would new B Securities be issued?

A key objective of the capital restructure is to allow SunRice access to new capital to fund growth. As SunRice B Securities will be tradeable on the ASX, the SunRice Fund could raise additional capital by issuing new SunRice B Securities. For each new SunRice B Security issued a new B Preference Share would be issued by SunRice to the SunRice Fund and, accordingly, the SunRice Fund would pay for these B Preference Shares with the new capital raised, therefore allowing it to flow through to SunRice.

There are two key methods for issuing new B Securities in the SunRice Fund, namely:

- An Entitlement Offer to existing Securityholders; or
- A Placement, combined with an issue to existing Securityholders, under a Security Purchase Plan.

Each has their own particular benefits, which the Board would consider carefully before deciding what option SunRice would use to raise new capital. Additionally, it is possible to combine a placement and an entitlement offer. Where possible, the Board would seek to structure a capital raising to allow participation by the existing Securityholders at that time.

What would be the impact of issuing additional B Securities? Will the dividend decrease?

SunRice and the SunRice Fund would raise equity funding for the company to undertake initiatives that would allow it to enhance shareholder value. Capital raised could be used in a variety of ways to enhance returns to investors, for example:

- An acquisition which is complementary to the existing operating business of SunRice; or
- Capital investment to improve existing operations.

The returns from these investments would be expected to increase the returns to all B Securityholders in the long term, through a combination of higher dividends and a higher B Security price.

While the returns from future capital raisings cannot be guaranteed, the SunRice Board would undertake a process to satisfy itself that on balance any capital raising would be in the best interests of all shareholders and B Securityholders.

As noted earlier, the Board is also committed to providing existing investors with the opportunity to invest in the future growth of SunRice wherever possible.

Will the Dividend Reinvestment Plan (DRP) be reinstated?

Yes. If the model is implemented, we propose establishing a new Dividend Reinvestment Plan, consistent with the current DRP, which would give B Securityholders the option to reinvest their dividends to purchase additional SunRice B Securities.

What about investment opportunities for growers?

The Board also wishes to provide the opportunity for growers to increase their investment in SunRice B Securities and is developing a Grower Share Plan under which growers would be able to allocate part of their paddy price to acquire additional SunRice B Securities. Further details of this plan will be provided when they are available and will be included in the information provided to our growers and shareholders, if a decision is taken to progress the new capital structure model.

When will SunRice need to access new capital?

The Capital Structure Review and the model we have put forward for consideration are about equipping SunRice for the future. While the Board firmly believes that better access to capital will underpin the next stage of SunRice's growth journey, we are not proposing to raise capital or issue new shares as part of the model we are discussing at this stage.

While we don't need capital immediately, we want to be in a position to access it in a timely manner when we do need it.

How is this different from other managed investment schemes?

The term "managed investment scheme" (MIS) is used in the Corporations Act to refer to and regulate a wide variety of different types of investments, from primary production and film production, to collective investments in land or securities. While they are grouped together for

regulatory purposes, MISs are structured in many different ways and therefore need to be assessed individually.

The SunRice Fund is a fundamentally different structure to the tax driven agricultural MISs that have been promoted in the past.

While the SunRice Fund has some conceptual features that are similar to the Fonterra Fund, it is a unique investment structure that has been formulated to meet the needs of our company and our shareholders. Significantly, it enables an ASX listing of a fund that holds the non-voting shares in SunRice, while allowing voting control of SunRice to remain with A Class shareholders.

Won't this proposed capital structure end in a takeover of SunRice, which was exactly what happened to AWB, ABB and although unsuccessful, GrainCorp?

The proposed capital structure will not remove A Class shareholder control and any change in ownership of SunRice cannot occur without the approval of A Class shareholders, as is currently the case.

There are significant differences in regards to AWB, ABB and GrainCorp. Protection mechanisms were removed by shareholder approval with the view to promote better access to capital, increase investor interest, and improve corporate governance, amongst other reasons.

We know there is a desire to understand the background to this and so have provided further detail on the structures each of these companies used and the subsequent circumstances that led to the loss of farmer control below:

AWB / ABB:

- Following the removal of AWB and ABB's single desk rights it was a requirement by each company's constitution to hold a shareholder meeting of A Class and B Class shareholders.

- In the case of AWB, it was required that an extraordinary meeting of A Class and B Class shareholders be held to consider the reform of AWB's constitution. This entailed the replacement of the dual share structure with a single class of shares.
- Following the removal of the barley single desk, ABB was required under its constitution to convene a meeting of all A Class shareholders to vote on the redemption of their A Class shares. The dual class structure had been established upon the privatisation of ABB in 1999 and was designed with the intention to protect the interest of growers by providing them with oversight responsibilities while ABB managed the Victorian and South Australian barley single desk.
- Shareholder protections were retained within the new constitutions of each company which included a shareholding cap limit of 15% for ABB and a 10% limit for a transition period of three years for AWB. These protections were removed as part of subsequent successful takeovers.

Graincorp:

GrainCorp's constitution contained shareholder protection mechanisms such as a dual share structure and a foundation share. GrainCorp simplified its corporate structure in 2001 by removing the dual class structure to reduce investor uncertainty in its listed A Class shares, which had the potential to be diluted by a conversion of B Class shares into A Class shares. Additionally, GrainCorp's constitution required a five year review of the Foundation Share. A vote in 2008 to remove the Foundation Share was successful on the basis that it was in line with good corporate governance, would remove limitations on corporate activity, and would improve access to capital, amongst other reasons.

Each of the previously mentioned examples occurred following a removal of shareholder protection mechanisms, however; this is not what is being proposed by the SunRice Board and management. Any potential change to SunRice's capital structure will ensure that SunRice remains under grower control – not just for a certain period of time but on an ongoing basis – unless A Class shareholders vote otherwise, as is the case today.



10. Glossary of Terms

Terms and abbreviations used in this document have the following meanings:

TERM	MEANING
A Class Shares	A Class Shares in SunRice
A Class shareholder	The holder of one or more A Class Shares
ACCC	Australian Competition and Consumer Commission
Active Grower	A person who has supplied to SunRice, on or before the test date, the tonnes of paddy rice specified in the SunRice Constitution
ADM	Archer Daniels Midland Company
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX
ATO	Australian Taxation Office
B Class Shares	B Class Shares in SunRice
B Class shareholder	The holder of one or more B Class Shares
B Preference Share	A B Class Share with the modified rights implemented as part of the Capital Restructure
Constitution or SunRice Constitution	The constitution of SunRice
Corporations Act	The Corporations Act 2001 (Cth)
Director	A director of SunRice
DRP	Dividend or distribution reinvestment plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise value
FIRB	Foreign Investment Review Board
Fund	The SunRice Fund
Grower Director	A Director who holds, or is the representative of a body corporate that holds, an A Class Share
MIS	Managed investment scheme
NPAT	Net profit after tax
NSX	National Stock Exchange of Australia
P/E	Price-earnings ratio
RE	Responsible entity
RMB	Rice Marketing Board for the State of New South Wales
Sole and Exclusive Export Agreement	Sole and Exclusive Export Agreement dated 28 June 2007 between SunRice, the RMB and Australian Grain Storage Pty Ltd (ACN 000 333 648) (formerly Riviana (Australia) Pty Ltd), as amended from time to time
SunRice or the company	Ricegrowers Limited (ABN 55 007 481 156)
SunRice B Security or B Security	An interest in the SunRice Fund
SunRice B Securityholder or B Securityholder	The holder of one or more SunRice B Securities
SunRice Board or Board	The board of directors of SunRice
SunRice Fund	The fund referred to in section four of this booklet, which will be the fund listed on ASX if the proposed capital structure is implemented