



The Rice Food Experts

19 June 2015

Dear Shareholder / Grower,

### **Capital structure proposal from Australian Rural Capital and invitation to Technical Workshops**

Since the announcement in March by the SunRice Board of a potential new capital structure, we have undertaken a comprehensive engagement process to provide information on the proposed structure, answer questions and obtain feedback.

This has included meetings, an Information Booklet and presentations at the RGA branch meetings. In our many discussions, we have received a very positive response to the potential new capital structure. Like you, the Board has also received some correspondence from shareholders regarding the potential new capital structure, which it has carefully considered.

The SunRice Board recently received a draft proposal from Australian Rural Capital (ARC), which advocates a very different approach to the future of your company. The Board and our advisors have assessed the proposal and identified a number of issues and concerns. These include but are not limited to:

- Long term grower control of SunRice is not guaranteed, as the proposal results in the potential for dilution of A Class grower shareholder control in a short space of time;
- A Class grower shareholders would not hold the sole right to appoint SunRice Directors;
- Likely tax and regulatory issues, including the likely crystallisation of a negative tax event; and
- Immediate dilution of your B Class shareholding by 25%.

The proposal provided by ARC is similar to proposals the Board and its advisors assessed as part of our rigorous review process. These were rejected by the Board as they did not meet the capital structure review's objectives, particularly the maintenance of grower control. Therefore, the Board will not be further assessing the proposal from ARC.

Importantly, the SunRice model put forward by the Board addresses all of the review's objectives and shareholder feedback, including preserving the voting and control rights of A Class grower shareholders on an ongoing basis. It also maintains B Class shareholders' economic rights; provides better access to capital and has the potential to enhance B Class Share value.

I'd like to thank you for your engagement in the process to date, with feedback received from shareholders resulting in minor modifications to the SunRice model. These modifications will be explained at further Capital Structure Review Technical Workshops that CEO Rob Gordon and I will be hosting in the week of 29 June for you and your advisors. Please find enclosed an invitation.

While the Board believes the potential model it has put forward is strong and workable, and in the best interests of SunRice as well as its growers and shareholders, your feedback is crucial in informing whether or not SunRice proceeds to a shareholder vote.

Further information, including a PDF download of the Capital Structure Review Update Booklet, the presentations from previous meetings and a video explaining the potential model are all available in the "Investor" section of the SunRice website [www.sunrice.com.au](http://www.sunrice.com.au). Growers and shareholders can also find out more or provide direct feedback by phoning the shareholder information line on 1800 020 806.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Laurie Arthur', written in a cursive style.

Laurie Arthur  
**Chairman**



## **SunRice Capital Structure Review: Technical Workshops for shareholders and advisors and shareholder survey**

As we approach the final stages of the Capital Structure Review, your feedback will be crucial in informing whether or not SunRice moves forward with the potential new structure and brings it back to shareholders to vote on.

Following the Update Booklet issued recently, SunRice Chairman Laurie Arthur and CEO Rob Gordon invite all shareholders and their financial and other advisers to one of the following Technical Workshops across the Riverina and to participate in an upcoming telephone shareholder survey.

### **Shareholder and adviser workshops**

#### **Monday, 29 June 2015**

- 7pm – 9pm, Deniliquin RSL Club (Dunlop Room), 72 End Street, Deniliquin. Light supper to be provided at conclusion of meeting.

#### **Tuesday, 30 June 2015**

- 11am – 1pm, Coleambally Bowling Club, 3 Falcon Road, Coleambally. Light lunch to be provided at conclusion of meeting.
- 7pm – 9pm, Griffith Exies Club (Mirrool Room 1), Jondaryan Avenue, Griffith. Light supper to be provided at conclusion of meeting.

As previously communicated, the potential new structure represents a significant opportunity to change the way we fund SunRice's growth and build an Australian-controlled food company of scale that can compete in global markets to benefit all growers and shareholders. Importantly, it is able to achieve this while preserving grower shareholder control on an ongoing basis. We encourage you to come to one of these sessions to ask questions, make comments and provide your feedback.

### **Shareholder telephone survey**

Following the technical workshops, an independent research firm Georgesons will be conducting a telephone poll of A and B Class shareholders. Overall we have received a very positive response to the potential new capital structure, however we are urging all shareholders to read the latest materials and take the time to participate in the 10 minute telephone poll and have your say in determining the company's future.

### **Further information and feedback methods**

Further information, including a PDF download of the Capital Structure Review Update Booklet, the presentations from previous meetings and a video explaining the potential model are all available in the "Investor" section of the SunRice website [www.sunrice.com.au](http://www.sunrice.com.au). Growers and shareholders can also find out more or provide direct feedback by phoning the shareholder information line on 1800 020 806.