



06 July 2018

Dear Shareholder / Grower

RE: Share purchase plans for growers, shareholders and employees

You will, by now, have had a chance to hear about the pleasing results that SunRice delivered for the C17 year. These results reflect the strong financial position of your Company and the very rapid recovery from the low crop year we experienced in C16. The final price for C17 Reiziq of \$378.66 is testament to the resilience of SunRice.

As Chairman, it is also pleasing to know that the Company has such a strong financial platform from which to pursue the recently announced five-year strategy, and along with the prospect of a potential listing on the ASX being proposed at the September AGM, it is an important time to be involved in the Australian rice industry.

I would like to bring you up to date and remind you of the opportunities to invest in SunRice over the next few months. Last year we re-introduced the Dividend Reinvestment Plan (DRP), the Employee Share Plan (ESP) and introduced the new Grower Share Purchase Plan (GSPP). The Board is of the view that it is important going forward that we all have a sense of ownership of our Company and this certainly applies to our valued employees. It is also important that we attempt to align the issue price of B Class Shares under each of these plans as they are made available each year.

Last week we announced the price for the DRP and GSPP schemes has been set at \$5.71 per B Class Share for offers to be made in FY19. This represents a 2% discount to the Volume Weighted Average Price (VWAP) calculated over the five days on which shares traded between 12 June 2018 and 28 June 2018.

Dividend Reinvestment Plan (DRP)

You will note that the price for the DRP at **\$5.71** is higher than last year's share price of \$4.03. This has largely been driven by our announcement of a potential listing on the ASX. As many of you know, establishing the value of our B Class Shares on the NSX has proven difficult due to the small number of trades. This is another reason I believe we need to list our shares on the ASX, to better reflect their true underlying value.

To participate in the DRP you need to notify us of your intentions by the 6th of July and I would also like to note that the record date to receive the 33 cent (fully franked) dividend is the 11th of July.

Grower Share Purchase Plan (GSPP)

The GSPP will also be available to A Class grower shareholders again, with an issue price of **\$5.71** per B Class Share, compared to last year's price of \$3.92. We had a successful launch of the GSPP last year, with a take-up of 31%. A Class shareholders will again be able to purchase B Class Shares based on one share for each tonne of rice grown in C18. In some cases, crop payments may be used to pay for these shares. You should consider the prospectus that will be sent to you regarding the GSPP in the coming weeks and if you wish to apply for B Class Shares complete the accompanying Application Form.

The Board sees the program as an important way for new A Class shareholders to achieve their minimum 3,000 B Class Shares and join in the sense of ownership of the company that has certainly motivated our growers over the years.

Employee Share Plan (ESP)

Our Employee Share Plan (ESP) also provides employees with the opportunity to acquire B Class Shares at a VWAP. Our ESP conducted last crop year, provided employees the option to purchase shares either through a company matching arrangement for either \$500 or \$1,000, and/or allowing employees to purchase B Class Shares with payment for allocated shares being funded from pre-tax salaries. A Long-Term Incentive (LTI) plan for senior executives and select employees was also introduced. It is the Company's intention to provide another offer, but the timing and pricing of the next ESP have not been determined as yet.

CEO FY19 - FY21 LTI Plan

Prior to last year, the Board has required that our CEO Rob Gordon takes his Long-Term Incentive (LTI) and Short Term Incentive (STI) in cash. We disclose these payments in detail in the Annual Report. We now believe that the CEO should more directly share the fortunes of Growers and Shareholders, both good and bad, and the best way to do this is to require Rob to take his LTI in B Class Shares rather than cash.

The new FY19 - FY21 LTI Plan has now been finalised and the opportunity has been taken to realign Rob's remuneration with market practice and peers. This realignment has led to a lift in the "at risk" portion of the CEO's remuneration, compared to the past and Rob will be granted 507,932 B Class share rights under that Plan*. Having regard for the LTI opportunity over the three-year performance period, this correlates to a value of **\$5.82** per share right. This represents the VWAP (with no discount factor) calculated over the five days on which shares traded between 12 June 2018 and 28 June 2018.

The exact number of shares that will be available (or will vest) at the end of the three-year period will depend on the achievement of performance hurdles associated with grower returns, profit results and delivery of SunRice's strategic plan over the three year period. Under these terms, our CEO bears the risk of any decrease in share price and has the benefit of any increase in the share price over the three-year period.

An important feature of the plan is that Rob must remain with the Company for the full three years or the rights are forfeited. I am pleased that Rob is prepared to have his remuneration so directly aligned with the outcomes we are seeking to achieve for our A and B Class shareholders. It provides confidence to the Board that our management team is fully committed to delivering the objectives outlined in our strategy.

Details on the ESP and the CEO's FY18 remuneration are fully disclosed in the FY18 Remuneration Report. However, we understand that these are complex areas and if you have any questions, I would be pleased to hear from you directly (0428 500 232).

Yours sincerely,



Laurie Arthur
Chairman

** 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 Group to the Riceworkers Employee Share Trust. These 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 shares will be recycled for use in future equivalent LTI Plans.*