

7 September 2018



Dear A Class Grower Shareholder,

RE: RESPONSE TO SHAREHOLDER LETTER ON ASX PROPOSAL

Many of us recently received a letter circulated by John Gitsham and Neal Callaghan about SunRice's ASX Proposal. While the Board encourages debate and respects the rights of Shareholders to express their opinions, we are of the view that some of the comments made in that letter are misinformed and potentially misleading.

The decision on whether to move B Class Shares from the NSX to the ASX while preserving grower shareholder control is an important one for our company, our industry and for all our growers, particularly given the current water availability issues facing us. We therefore encourage you to fully apprise yourself of the facts before exercising your right to vote. In particular, I note:

- The ASX Proposal preserves A Class Grower Shareholder Control* - your Board would not have presented it to you otherwise. Any new investor in SunRice will acquire B Class Shares knowing they have no Control rights and no rights to elect Directors or make any changes to the Constitution without your approval via a 75% majority. Regardless of the number of B Class Shares an investor may own, their B Class Shareholding is separate from and in no way impacts A Class Grower Shareholder Control. These rights rest with you, just as they do today (see Section 4.3 of the Explanatory Booklet).
- SunRice's twin objectives of improving paddy prices for growers and shareholder returns for investors are enshrined in the Constitution. There will be no change to these objectives, our dual class share structure, our business model or our established policies and procedures as a result of the ASX Proposal. This includes the Paddy Pricing Policy, which enables funds from the Profit Businesses to be used to supplement the Paddy Pool in circumstances that are in the best interests of SunRice as a whole. In addition, your Board has a strong track record of successfully delivering for both growers and shareholders spanning more than 10 years (see Sections 3 and 4.3 of the Explanatory Booklet).
- SunRice's 2022 Growth Strategy is designed to improve paddy prices. There is significant detail in the Explanatory Booklet on how we intend to achieve this for our growers, as well as how we intend to build further diversification and balance sheet strength to mitigate business risk, including in times of adversity. The Explanatory Booklet also contains details on why the existing range of funding options open to SunRice, including raising equity from our existing shareholders and bank debt, are either not sufficient or not well suited to pursue our Growth Strategy (see Sections 3.3 to 3.5 of the Explanatory Booklet).
- There are no immediate plans to raise \$200 - \$300 million in equity capital, however, as we've shared, funding will be needed over the medium to long term in order to implement the 2022 Growth Strategy in full. Like every investment SunRice makes, the Board will be seeking appropriate returns on capital employed to prudently manage funds and underpin returns to investors while also delivering for our growers (see Sections 3.2 and 3.3 of the Explanatory Booklet).
- The Independent Expert has concluded that the ASX Proposal is in the best interests of A Class Grower Shareholders and, separately, in the best interests of B Class Shareholders (see Annexure A of the Explanatory Booklet).
- The RGA has stated it supports the ASX Proposal and acknowledges that SunRice's 2022 Growth Strategy is a key mechanism to deliver a more competitive price for growers. The RMB has also released a statement and finds no reason why the ASX Proposal would adversely impact on the current vesting arrangements (see RGA Media Release dated 22 August 2018 and RMB Statement dated 21 August 2018).

Further details (including advantages and disadvantages of the ASX Proposal) are contained in the Explanatory Booklet, which I encourage you to read in full together with the Notices of Meeting before deciding how to vote.

Your Board has put significant time and resources, including obtaining legal and professional advice, into developing a proposal that is designed to protect our 68-year heritage and allow us to build a company that can benefit growers, shareholders, employees and the regional communities that rely on us for years to come. This is a significant decision for SunRice's future and for your own, as growers.

The changes in the Riverina in the last 10 years have been confronting, and farming is not for the faint hearted. Your Board is very focused on this and the \$32 million Paddy Price Supplement we paid in 2016 and the recently announced C19 Fixed Price Contracts for \$500 per tonne are evidence of our commitment to growers and our focus on the sustainability of our Riverina rice industry.

I firmly believe the ASX Proposal will position us well for the next 10 years and beyond. Now is not the time to cross our fingers and hope everything will be alright. We have a strong plan and we need your support to roll it out.

I encourage you to make sure your vote counts. To this end, your Grower Directors and I will be out in the regions in the weeks ahead to answer any questions you may have and facilitate you lodging your vote. You can also contact me directly on 0428 500 232.

Yours sincerely,

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

Laurie Arthur
Chairman

**A Class Grower Shareholder control refers to the 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. See Section 9 of the Explanatory Booklet.*