

ASX ANNOUNCEMENT

17 July 2019

Letter to A Class Shareholders & Growers

In accordance with Listing Rule 3.17.1 we attach a copy of a letter being sent to A Class Shareholders/Growers.

The release of this document has been authorised by Kate Cooper, Company Secretary.

About SunRice's structure

The structure of Ricegrowers Limited (**SunRice**) contains non-standard elements including its dual class share structure comprising A Class Shares and B Class Shares.

A Class Shares confer on their holders the right to vote at general meetings but no right to dividends. A Class Shares are not quoted on ASX and may only be held by Active Growers. The right to vote is based on one member, one vote and no person may hold more than 5 A Class Shares. In practical terms the voting rights held by A Class Shareholders give those shareholders the right to control the election of directors and any changes to SunRice's constitution.

B Class Shares are quoted on ASX and confer on their holders the right to receive dividends, as determined by the directors from time to time. Holders of B Class Shares do not have the right to vote at general meetings of SunRice and may only vote on proposals involving a variation to their class rights or if required for the purposes of the ASX Listing Rules. This means B Class Shareholders have no right to vote on the election of directors of SunRice. No person may hold more than 10% of the total number of B Class Shares on issue.

For more details of the non-standard elements of SunRice's structure see <https://corporate.sunrice.com.au/investors/>.



17 July 2020

Dear fellow rice growers,

RE: UPDATE AHEAD OF 2020 RICE PLANTING

I would like to update you on a variety of issues as we prepare for the 2021 rice planting.

The 2020 rice harvest is complete, yielding approximately 10.6 tonnes per hectare, which is above the five-year average. In particular, Reiziq averaged approximately 11.22 tonnes per hectare across all regions. SunRice was pleased to be able to pay a record price of \$750 per tonne to participating growers for Reiziq, and up to \$1500 per tonne for organic varieties. It is also pleasing to note that the grain quality was excellent. Average moisture across all deliveries was 20.51 per cent. Bin testing at Australian Grain Storage sites is pointing towards a Reiziq mill-out of approximately 65 per cent, the highest on record. Of course, the disappointing thing is that only 83 of our growers were able to harvest a crop. Even at the very elevated prices SunRice paid, the extremely low water availability and high water prices still constrained the total number of growers able to plant this crop year.

These factors have led to the Board's decision not to redeem the A Class Shares of growers who indicated they intend to grow rice again. When we listed on the ASX in 2019 the Board held the view that we should revisit the criteria for A Class Shareholders, however, we felt it unnecessary to deal with immediately following the listing. The fact that the Board has had to exercise its discretion not to redeem the A Class Shares for two years running indicates to me that we need to review the criteria required to be met to hold an A Class Share. As such, it is our intention to seek your support for a change to the criteria over the next year. Such change may include an amendment to the time period a grower has in which to produce the required tonnage of rice to be considered an "active grower". As it should be, this is a decision for A Class Shareholders and will require a resolution to be put to a meeting of A Class Shareholders - at least 75 per cent of votes cast by A Class Shareholders at such a meeting would be required to be in favour of the changes to the criteria for the changes to be effective. We would not put this resolution to Class A Shareholders until the 2021 Annual General Meeting (AGM), following a thorough review and broad consultation.

SunRice will however be proceeding with the proposed resolution to reduce the size of the Board at the AGM on 28 August 2020, after receiving strong support from the Ricegrowers' Association of Australia (RGA), the Rice Marketing Board of NSW and growers in general. The proposed constitutional change will also include a clause that requires a majority of grower directors on the Board. Our plan is to hold the AGM in Jerilderie (with the ability for shareholders to participate virtually); however, I am concerned that a re-emergence of COVID-19 may necessitate a virtual-only event. We will keep you posted.

SunRice has been consulting widely about how we can better provide you with timely pricing information to guide your planting decisions. The RGA survey has been useful and it is clear that growers want an opportunity to contract for some of the next year's crop. It is also very clear that the rice pool is highly valued. **SunRice has been working on pricing and contracting arrangements in response to the feedback and we will communicate more detail regarding the CY21 season prior to the end of July.** This communication will include the proposed fixed price contracting arrangements we intend to offer growers. The rice pool has always, and will continue, to be an integral part of SunRice's contracting arrangements. Our intention, should conditions and water availability continue to improve, is that in addition to fixed price contracts, we will also have the availability of a pool for the CY21 season and into the future.

We need a large crop in 2021 to regain momentum in our most important markets. We appreciate that individual farm business balance sheets and cashflow have been impacted off the back of the past two difficult rice growing seasons. To facilitate increased production, SunRice will once again be offering the 'GrowRice' facility to qualifying growers to help fund water and crop inputs.

In these turbulent times, certainty of payment is uppermost in our minds. In the forty years I have been growing rice, SunRice always paid on time and in full. This continues to be one of our bedrock principles. We have updated our 'PayRice' system to build in further enhancements, which we will communicate further in the coming months. Our intention is that this will offer 90 per cent payment (based on the lower range of the estimated pool return), paid in seven days from delivery.

SunRice will continue to work closely with the RGA over the next crop year to ensure that our advocacy to counter the worst excesses of water reform is well resourced. We have had traction with our RMCG underuse report and our negotiations with the State and Federal governments are ongoing. It would be a serious mistake to back off in response to a better season.

A vesting review is due soon and I will be taking the opportunity to outline the importance of vesting to our industry and grower returns. Free trade is not the norm in international rice markets and the benefits provided by vesting are significant to growers as we try to access new markets. I look forward to discussing these further with you in the lead up to the review.

Subject to COVID-19 restrictions, Rice Extension, in conjunction with SunRice, will be holding a field day on 11 August 2020 at our Rice Research Australia Pty Ltd facility. The focus of the field day will be 'Foundations of a High Yielding Rice Crop'. I encourage you all to attend – I will be providing an update on SunRice as part of the program, and will be available to discuss any matters growers wish to raise with me.

Riverina growers continue to underpin SunRice. I hope that the Bureau's outlook for a wetter winter plays out so that we have better water availability at lower prices, and we all have the opportunity to grow some rice.

Sincerely,

A handwritten signature in black ink, appearing to read 'Laurie', with a stylized flourish at the end.

Laurie Arthur
Chairman
SunRice Group