



ASX ANNOUNCEMENT

9 March 2021

A Class Share criteria consultation and CEO business update

Attached is a presentation which will be provided to A Class Shareholders and other Riverina rice growers in a series of meetings from 9-11 March 2021 with the SunRice Group Chief Executive Officer, Chairman, Board Directors and Corporate Management Team.

The SunRice Board has been reviewing the A Class Share criteria, with the following objectives:

- Encourage more consistent Riverina supply to maximise benefits to the company
- Reduce Board discretion in managing the A Class Share register.

The Board is consulting with A Class Shareholders and other Riverina rice growers on possible changes to the A Class Share structure to achieve these objectives.

The SunRice Group Chief Executive Officer will also be presenting the attached business update.

Authorised by Kate Cooper, Group General Counsel and Company Secretary, SunRice Group.

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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/>



SunRice A Class Shareholder and grower meetings

9-11 March 2021



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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of SunRice is available on our website: <https://investors.sunrice.com.au/investors/>.

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Agenda – full meeting

Introduction

CEO business update

A Class Share review – goals and criteria

Overview of the A Class Share register

Current A Class Share structure

Proposed new structure

Discussion on proposed option

Next steps





CEO business update

Rob Gordon

SunRice Group CEO



Agenda – CEO business update

Current situation

COVID-19 impacts

Financial performance

CY21 Riverina pool and global market conditions

SunRice's operations in the Riverina

Outlook





Current situation

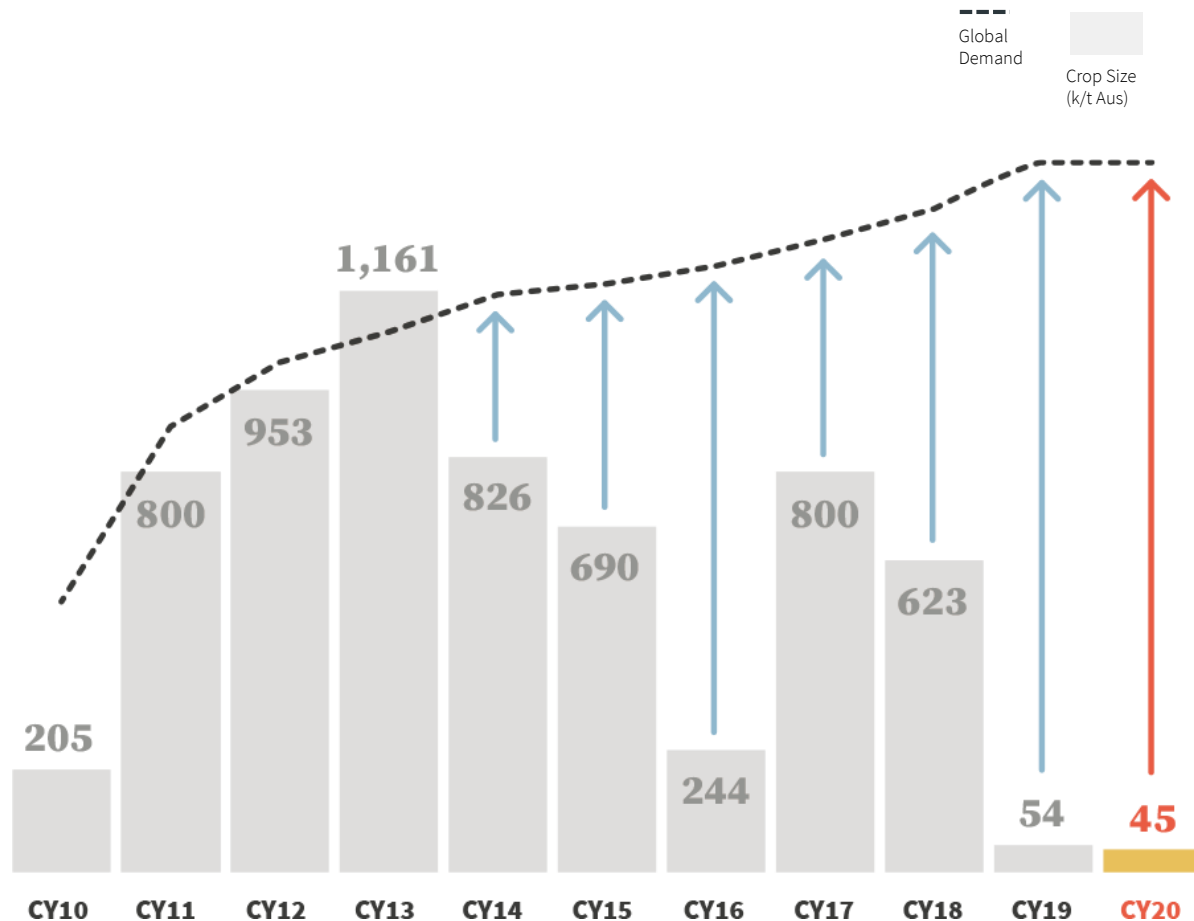
The SunRice Group has maintained strong performance despite extremely low production in the Riverina, and the impacts of COVID-19.

Current situation

Following two years of extremely low production, a crop in excess of 450,000 tonnes is expected to be harvested in the Riverina.

The Group has flexed its international supply chain capability to meet global demand with the low Riverina production.

Despite the low production and impacts of COVID-19, the SunRice Group remains well positioned for Financial Year 2022.



Supply source countries of origin

For Financial Year 2021 we are sourcing rice from 12 countries including Australia to meet global demand of more than 1 million paddy tonnes.

Backfilling these markets with internationally sourced rice allows SunRice to maintain positions for when the Australian rice production is higher.

Financial Year 2021

1 million+ paddy tonnes

Source countries



Australia



Cambodia



China



Vietnam



Myanmar



India



Pakistan



Taiwan



Thailand



Uruguay



USA



Italy



Impacts of COVID-19

The SunRice Group has managed a range of impacts arising from the global COVID-19 pandemic.

Impacts of COVID-19

SunRice's approach to managing the impacts of COVID-19 has been focused on:

- Protecting the health and wellbeing of staff
- Maintaining business continuity and production
- Keeping in close contact with our key stakeholders

- Difficult market conditions continuing due to COVID-19
- Increased disruptions to global shipping industry in 2021:
 - Demand for space and containers outstripping supply
 - Spot freight rates increased by ~300%
 - Vessels booked to capacity 5-7 weeks prior to sailing
 - Congestion at ports resulting in major delays
- Increased demand for retail products, ~200% of forecasts
- Food service impacted by restrictions, sales down ~60%
- States of emergency declared in the Solomon Islands and PNG, martial law imposed in Jordan
- Price freezes imposed by some Governments due to food security and affordability concerns, preventing recovery of negative impact of foreign exchange fluctuations
- Export restrictions on rice in Cambodia and Vietnam
- Role in providing food security for Pacific Island nations highlighted

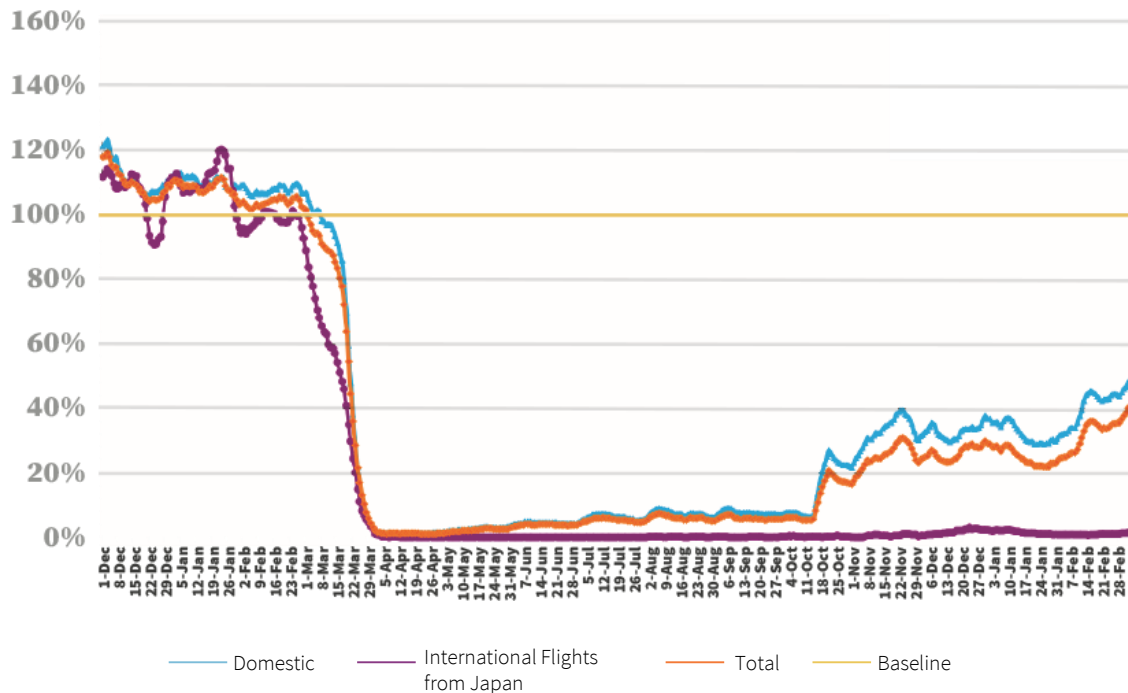


Hawaii visitation

Visitation to Hawaii, and across other key Pacific markets, remains severely impacted from COVID-19 travel restrictions.

7 Day Moving Average Ratio

100% = passenger count is the same this year as it was last year on the same date



Note: Total includes all domestic and international flights excluding inter-island flights and flights from Canada

Source: State of Hawaii Department of Business, Economic Development & Tourism



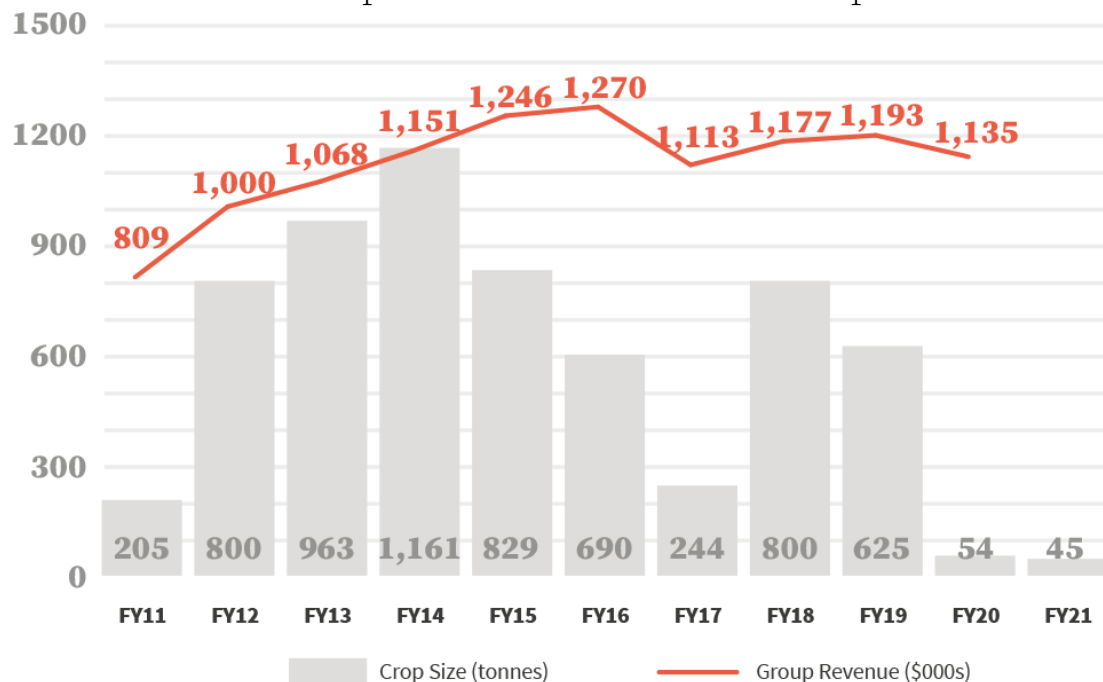
Financial performance

The Group has maintained strong financial performance and is continuing to execute organic and strategic growth initiatives under its 2022 Growth Strategy.

Financial performance

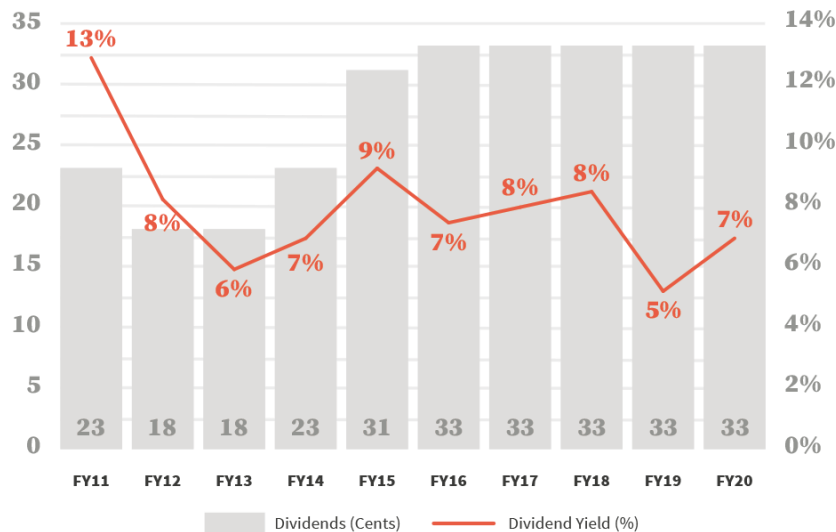
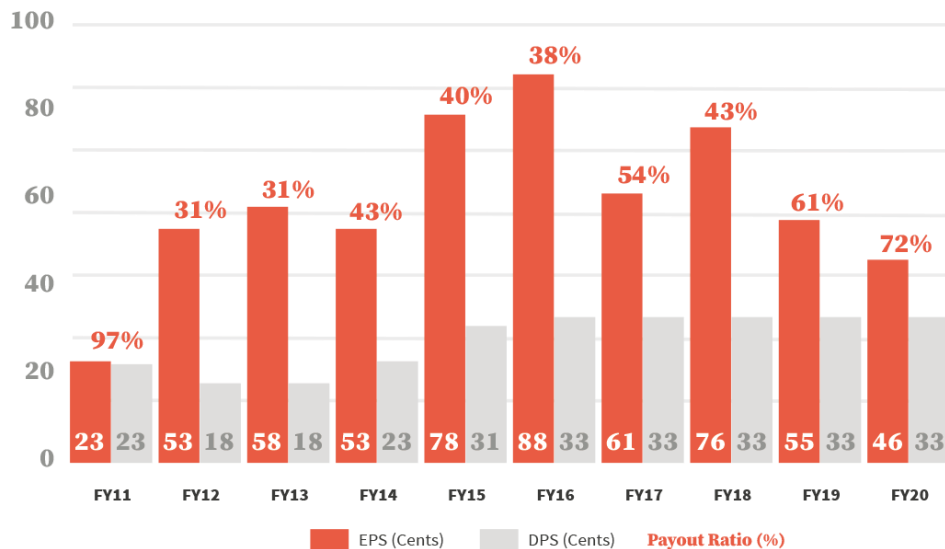
Despite fluctuations in Australian supply, the Group has increased top line revenue since Financial Year 2011.

Riverina Crop Size and Consolidated Group Revenue



Dividends have been sustained notwithstanding challenging market conditions

- Fully franked dividends of 33 cents per B Class Share have been declared in recent years
- Earnings per share of 46 cents and payout ratio of 72% in FY2020
- Dividend yield of 6.4% in FY2020



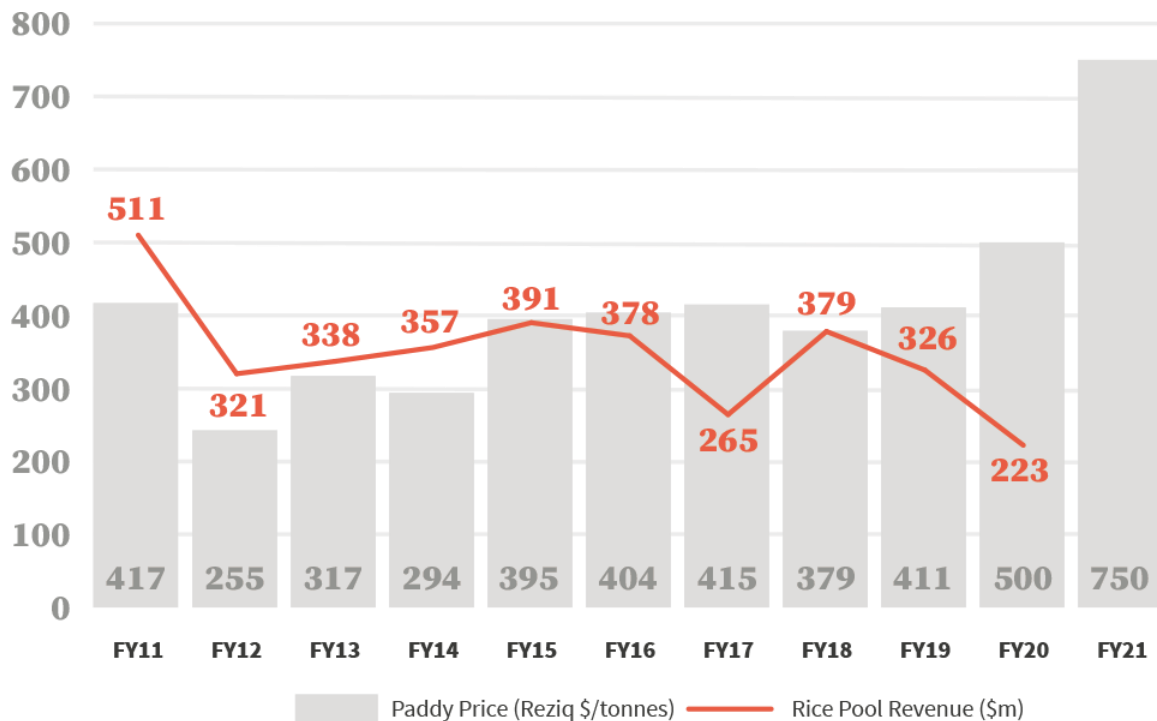
SunRice share price performance

- SunRice share price compared to the ASX300 from FY2010 to FY2021

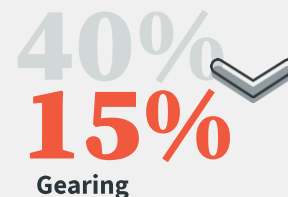
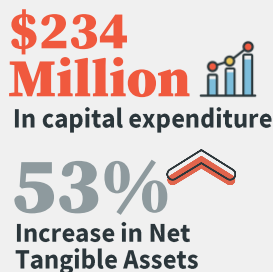
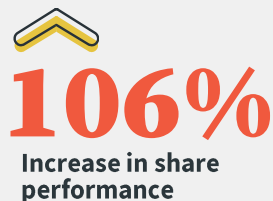


Financial performance

The SunRice Group offered record paddy prices of \$750 to \$1500 per tonne dependent on varieties ahead of planting for the 2020 crop.



Key performance statistics since the Millennium Drought*



Our share performance has increased by 106%, outperforming the S&P/ASX 200 Consumer Staples Index which had growth of 56%.

We've paid out more than \$2 billion in Riverina paddy payments, and more than \$148 million in fully franked dividends to B Class Shareholders.

The Group's Net Tangible Assets grew 53% between 2012 and 2020, while more than \$234 million in capital expenditure was invested in the same period.

Total shareholder return increased by 210% between 2012 and 2020, which outperformed the ASX 200 Consumer Staples Index which had an increase of 112% in that same period.

And we've improved the strength of our balance sheet, with gearing reduced from 40% to 15%.

* In its 2019 Information Memorandum, SunRice defines the Millennium Drought period as years of low Australian rice production between Financial Years 2004-06, and Financial Years 2008-11.

** Total shareholder return is calculated based upon share price performance and dividends paid to B Class Shareholders between 2012 and 2020.



CY21 Riverina pool and global market conditions

**The SunRice Group is operating a
pool for the first time since 2018.**

CY21 pool and global market conditions

A Riverina crop of in excess of 450,000 paddy tonnes is expected for CY21, more than 10 times larger than the CY20 crop.

- The SunRice Group is operating a pool for the first time since 2018, following a strong response to an initial fixed price contract for the CY21 season
- Estimated price range of \$390 to \$450 per tonne for medium grain Reiziq
- Final pool payments can be influenced by a range of factors:

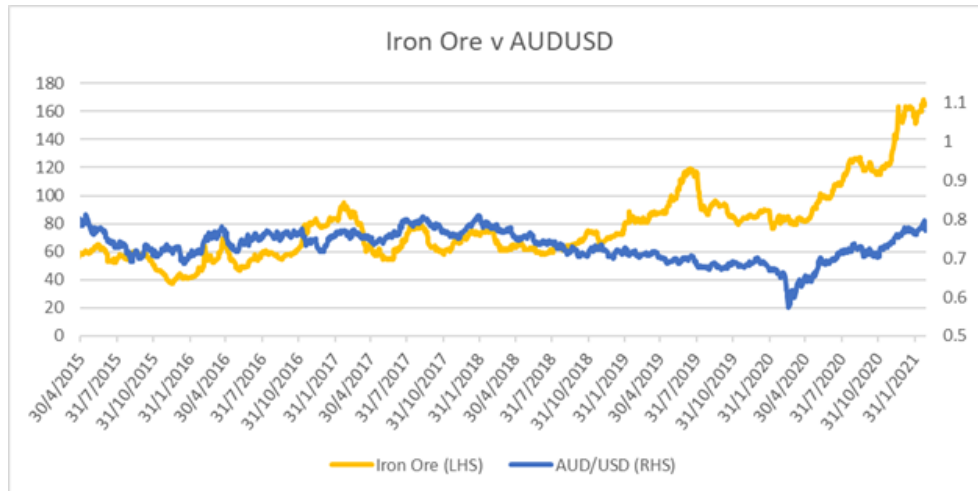
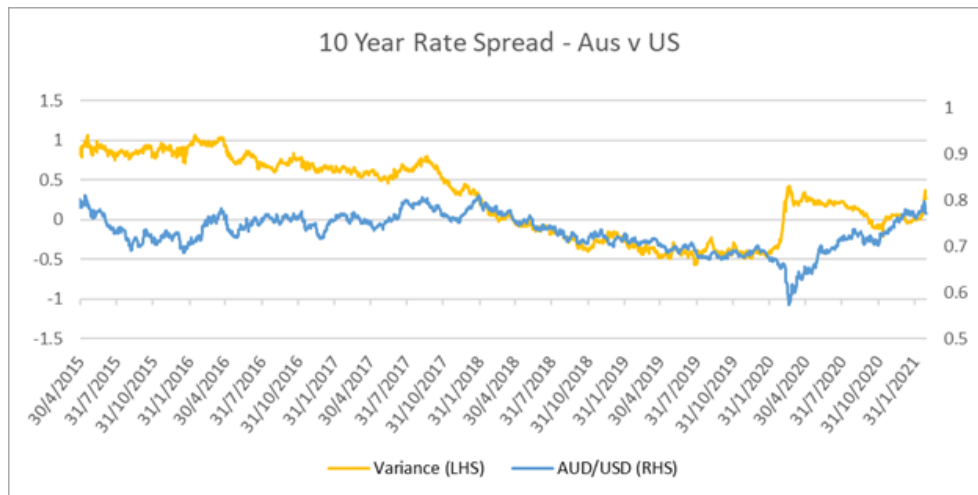
Factor	Current status
Foreign exchange fluctuations	
World rice prices	
Overhead recovery in the Riverina	
Milling yields	

- In this highly volatile trading environment, it is too early to predict the final CY21 pool outcome in April 2022
- First pool paddy payment to be based on \$390 per tonne for medium grain Reiziq

Foreign exchange

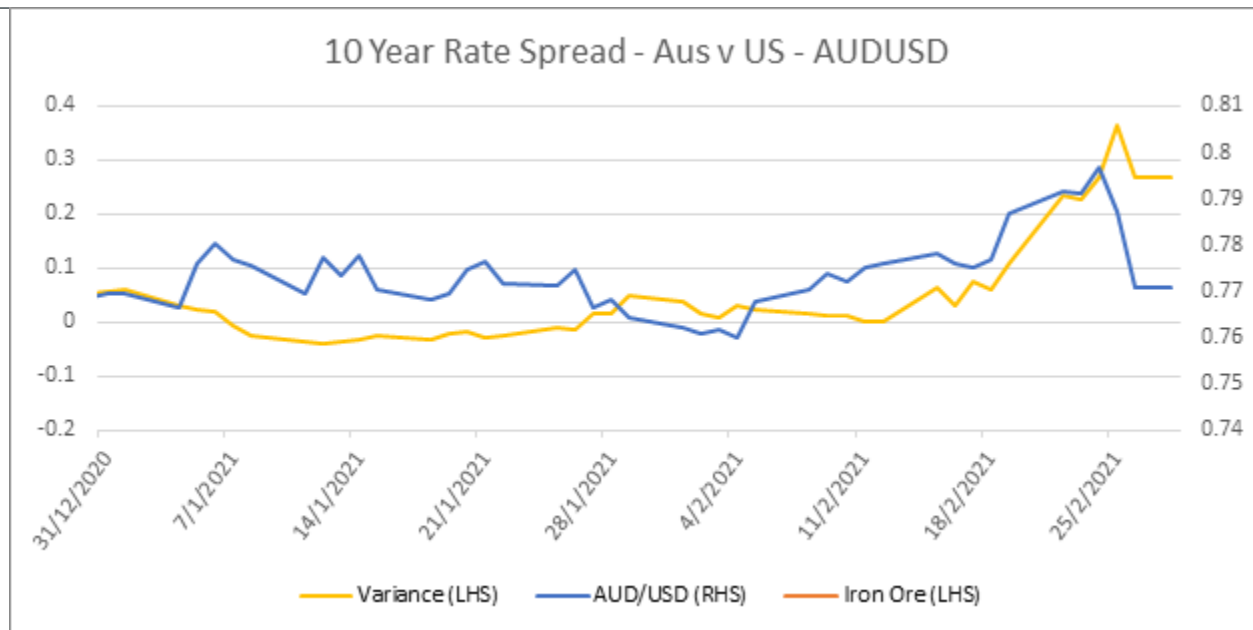
At the height of the pandemic in March and April 2020, the AUD/USD reached lows that hadn't been seen for almost two decades.

More recently, the AUD/USD has risen to 80 cents due to Australia's strong performance at containing COVID-19 and commodity prices above forecast levels.



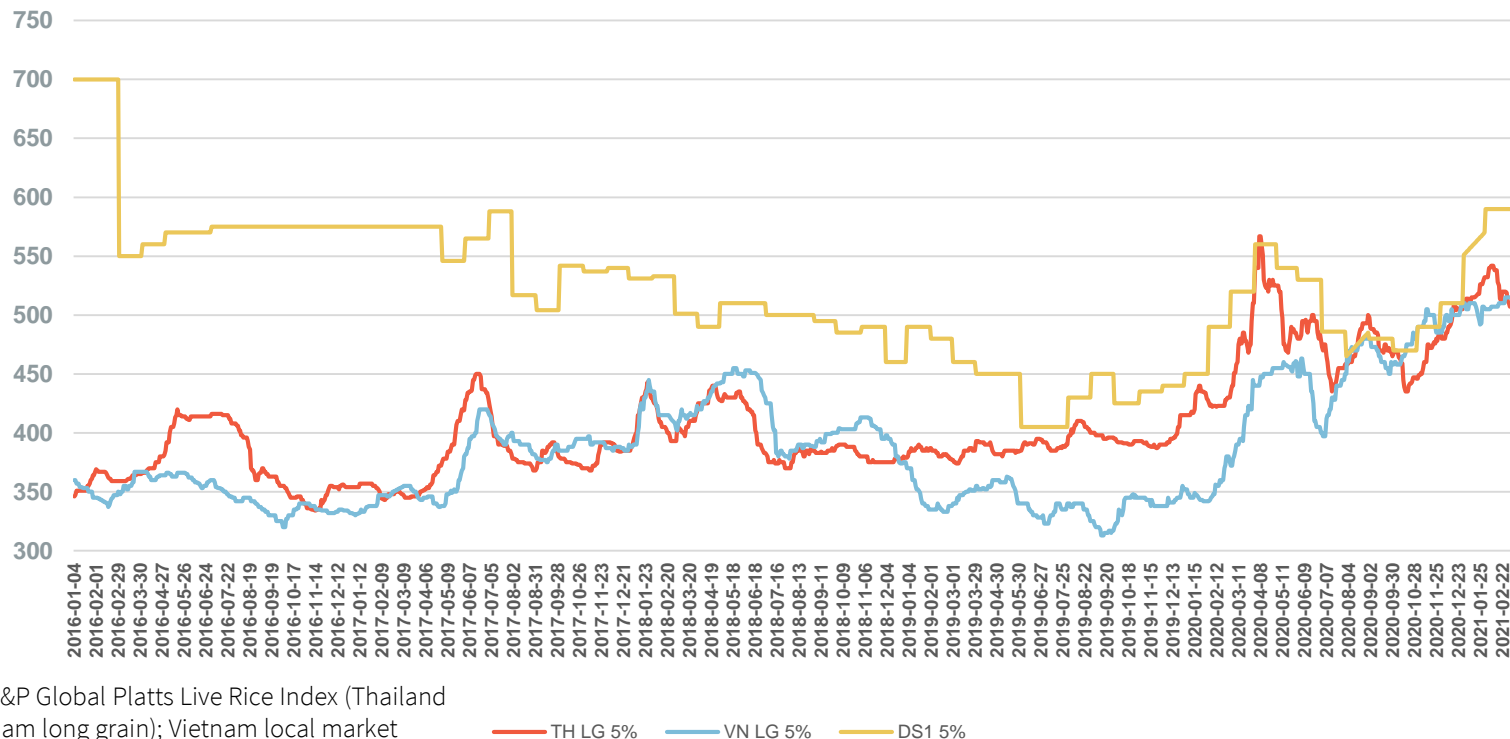
There is ongoing volatility in the AUD/USD

- Volatility continuing in recent weeks due to differing expectations of future direction in interest rates between Australia and the U.S. Reflation in the U.S. is driving expectations that interest rates will rise sooner than expected
- Reserve Bank of Australia has stated that interest rates unlikely to rise until 2024 – toward end of February 2021 market was expecting interest rates to rise earlier. RBA's bond buying program and continued rhetoric reduced these expectations and AUD/USD exchange rate fell accordingly



World rice prices

- Prices are rising for long grain from Vietnam and Thailand and DS1 from Vietnam.

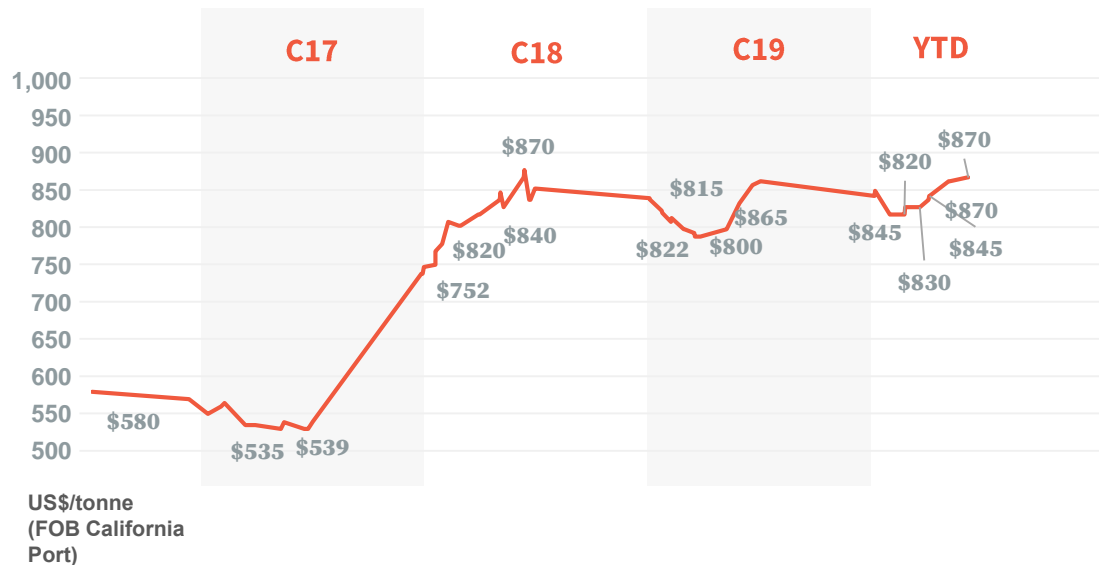


Source: S&P Global Platts Live Rice Index (Thailand and Vietnam long grain); Vietnam local market database and quote (DS1)

World rice prices

Since reaching lows of \$535 USD / tonne in 2017, Japan Minimum Access Pricing has since reached heights of \$870 USD / tonne year to date.

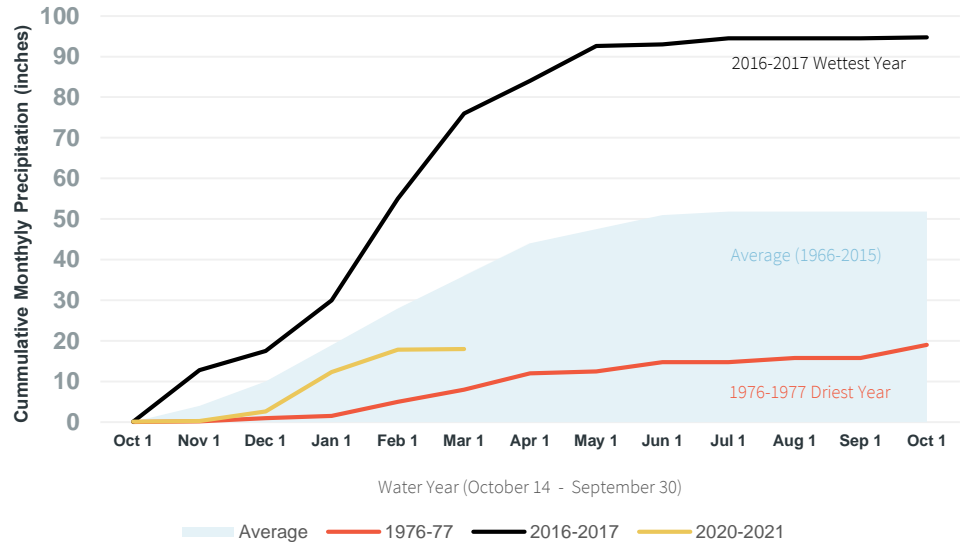
Japan Minimum Access Pricing (Since March 2017)



World rice prices – California supply

- As of February 2021, Northern California precipitation accumulation, snow water content and key reservoir levels are tracking significantly behind historical levels
- California is expecting a significant reduction in water supply for the 2021 plantings (from May 2021)*.
- Average crop size in recent years has been ~500,000 acres
- Given current conditions, expectations are that 2021 plantings could be significantly lower, potentially between 450,000-500,000 acres

Northern Sierra Precipitation: 8-Station Index, February 26 2021



*S&P Global Platts Rice Monthly March 2021



SunRice's operations in the Riverina

The SunRice Group has been assessing its operations in the Riverina to optimise returns.

Riverina supply consistency needed to sustain premium markets

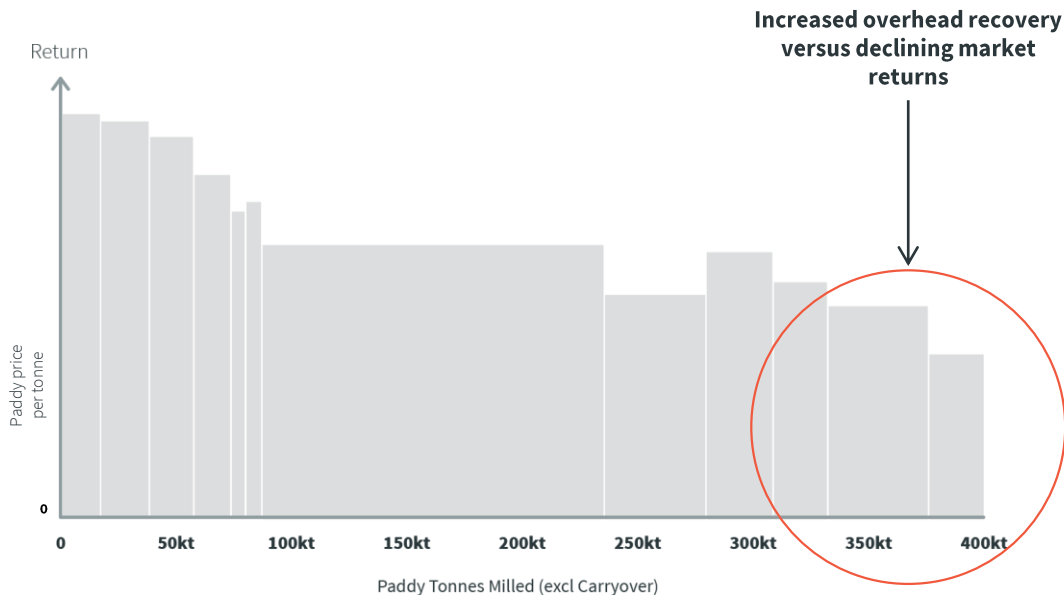
Riverina production base optimised for low-cost, efficient production – globally competitive

Good-quality and affordable medium grain from other origins now competing against Australian rice.

There is a limit to the amount of Australian rice that can be sold at a premium.

Removing Australian product from markets undermines its premium.

Relative size of premium markets for Australian rice



Additional disclaimer: The information presented in this chart is indicative only, and is representative of a normalised crop year rather than Financial Year 2022. The estimated CY21 pool range for Financial Year 2022 is still \$390-\$450 per paddy tonne for medium grain Reiziq.



Outlook

The Group is continuing to execute against its 2022 Growth Strategy and remains well positioned for the future.

Outlook

Global COVID-19 pandemic continuing to impact SunRice.

Maintained top-line revenue through second and third-smallest crops on record.

Group remains financially strong, and has continued to execute against its strategy.

2021 Riverina crop more than 10 times larger than 2020.

- With improvement in the Riverina crop size for CY21, continued execution of 2022 Growth Strategy initiatives and anticipation of the easing of current constraints caused by global shipping disruptions, the Group remains well positioned for FY2022
- Monitoring factors that have the potential to impact revenue and margins:
 - International rice prices and fluctuating Australian dollar affecting input costs in a number of segments
 - Potential long-term damage to key economies
 - Aggressive pricing strategies from competitors
 - Global uncertainty due to the COVID-19 pandemic
- Positive grower sentiment towards rice production in the Riverina
- During period of low production, the Group has continued executing against its 2022 Growth Strategy
- Maintained strong balance sheet – highlighting resilience of business model
- Need consistency of supply in the Riverina to avoid ‘coming and going’ from key international markets which pay a premium for Australian rice
- SunRice continues to work with the Ricegrowers’ Association of Australia in highlighting disproportionate impacts of water reform on annual irrigators



A Class Share criteria



Board's review of the structure

During 2020 and 2021 the SunRice Group Board has been conducting a review of the A Class Share structure.

This is in line with commitments made by the Board during the ASX listing process.

The Board identified the following goals of the review:

- **Reduce frequency of discretion**
- **‘Smooth’ the supply of Riverina rice**
- **Stabilise the A Class Share register**

Key considerations

The Board also determined that any changes should further align the interests of A and B Class Shareholders, and have regard for scale and shareholding limits.

- **Alignment of A and B Class Shareholders – any changes should:**
 - Be in the best interests of the company as a whole
 - Further align the interests of both classes of shareholders
 - Not cause any value shift as between the two classes of shares
- **Scale:**
 - Consider how the most committed and regular growers can be incentivised to continue growing / ‘stretch’ to ensure consistency of and commitment to rice supply
 - Proposal will not unfairly discriminate between large and small growers (provided that any agreed Minimum Delivery requirements are met)
- **Shareholding limits:**
 - Retain the maximum shareholding limits in order to avoid any risk of concentration of shareholders

The current structure

Under the SunRice Group Constitution there are clearly defined criteria for an A Class Shareholder, as determined by the A Class Shareholders.

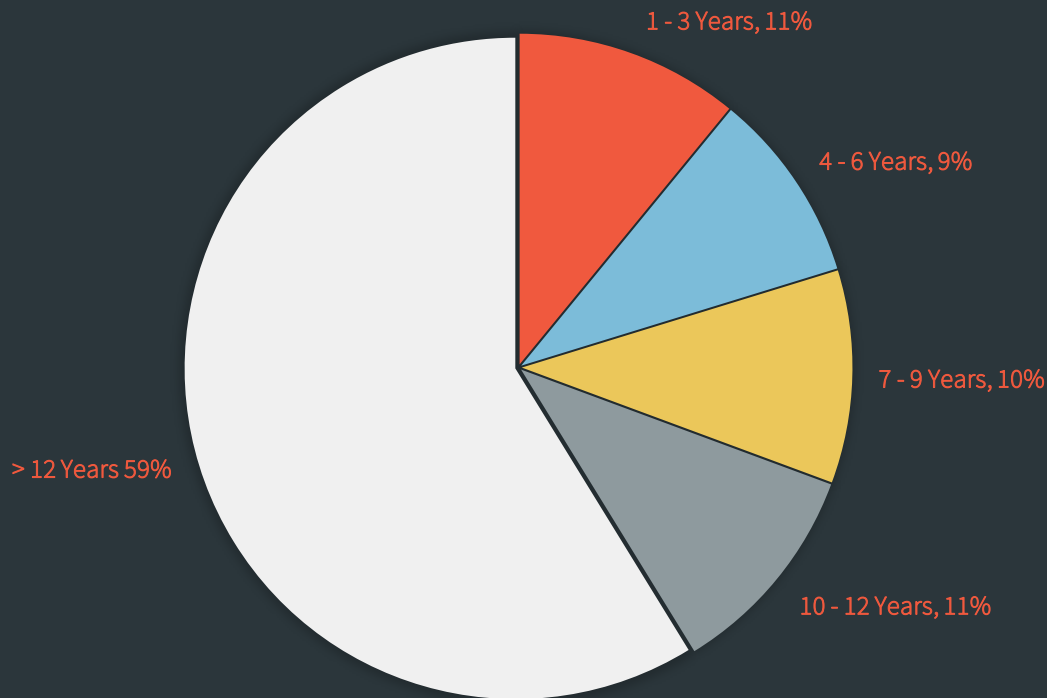
- A Class shares can only be issued to **Active Growers** or persons whom the Directors believe, on reasonable grounds, will become Active Growers
- An Active Grower is a person who has supplied **200 tonnes of paddy rice** to SunRice over the preceding 2 year period
- The A Class Share Policy sets out the procedures for the Board to identify:
 - If there are Active Growers who ought to be invited to apply for an A Class share
 - If there are A Class Shareholders who are no longer Active Growers
- A Class Shares confer:
 - The right to attend and vote at Annual General Meetings
 - No right to receive dividends
- **1 vote per shareholder**, regardless of the number of A Class Shares held
- Maximum A Class shareholding limit of 5 shares
- A Class Shareholders must hold at least **3,000 B Class Shares**
- The Board has powers to redeem A Class Shares if criteria are not met, however **can defer the redemption** of these Shares if the Directors believe the member will resume being an Active Grower

Overview of A Class Share register

Currently 558 A Class Shareholders

- 59% have been a Shareholder for more than 12 years
- 11% have been a Shareholder for 1-3 years

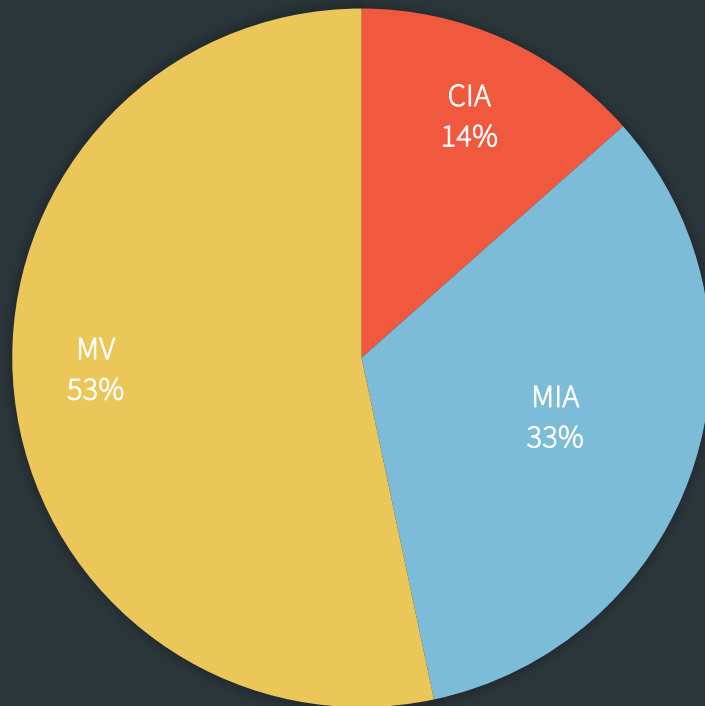
TIME AS AN A CLASS SHAREHOLDER



Overview of A Class Share register

- 53% are in the Murray Valley
- 14% are in the Coleambally Irrigation Area
- 33% are in the Murrumbidgee Irrigation Area

A CLASS SHAREHOLDERS BY REGION



Issues with the current system

A number of issues have been identified with the current A Class Share structure.

- Consistency of supply of Riverina rice is important to the ongoing operations of the SunRice Group – the Board is seeking to utilise the way in which A Class Shares are issued to assist in stabilising and smoothing production
- The Board has had to exercise its discretion to defer the redemption of A Class Shares in 3 of the past 5 years
- This indicates that the current criteria may no longer be fit for purpose
- Proposal will seek to reduce the frequency of the Board having to exercise its discretion regarding the issue and redemption of A Class Shares in years of low production
- The Board's desire is that the new criteria will also assist in delivering a more stable A Class Share register

Proposed new structure

The Board is seeking feedback from growers on a draft proposal to potentially take to the 2021 Annual General Meeting.

- The proposed new structure:
 - **Base Share** (for Active Growers who deliver 50 tonnes in the first year and a rolling average of 200 tonnes over four years)
 - **Production Share** (to Growers who produce a minimum and consistent volume of rice, of 400 tonnes in the first year and a rolling average of 1600 tonnes over four years)
- Currently, growers hold **1 vote**, even if they hold up to the maximum of 5 A Class Shares
- Under the proposal, growers holding a Base Share and a Production Share would be entitled to **2 votes**

Proposed new structure – Base Share

Basis of allocation	Change to existing	Basis of redemption	Key points for consideration
Minimum of 200 metric tonnes delivered over a rolling 4-year period	Move from 2-year qualification period for 200 metric tonne to 4 years	Minimum delivery requirements not met over the 4-year period	Growers will still be required to hold at least 3000 B Class Shares
Growers invited to apply for an A Class Share if production is equal to or greater than 50 metric tonnes in year 1	Change in definition of Active Grower / Minimum B Shareholding in the Constitution	<p>Minimum delivery requirements not being maintained on a pro rata basis in years 2, 3 or 4 (where the share was issued due to the 50 metric tonne requirement having been met in year 1)</p> <p>3000 B Class Shares not acquired within the specified period</p>	

Proposed new structure – Production Share

- Issued to those Growers who produce a volume and consistency of production.
- **If a Grower holds a Production Share, they will be entitled to two votes.**

Basis of allocation	Basis of redemption	Key points for consideration
Annual average deliveries exceeding 400 metric tonnes over a rolling 4-year period , totaling at least 1600 metric tonnes in any 4-year period	Rolling average falls below 400 metric tonnes in any one year and/or loss of 'Active Grower' status	Required to hold at least 4000 B Class Shares in order to obtain a Production Share, so 1000 in addition to the 3000 required to hold a Base Share. If required, growers have up to four years to acquire the additional 1000 shares
A Production Share issued if production exceeds 400 metric tonnes in year 1 and average deliveries remain above 400 metric tonnes across years 2, 3 and 4	Failure to hold at least 4000 B Class Shares (an additional 1000 additional B Class Shares on the proposed Base Share requirement of at least 3000)	Shares issued based on future production with no retrospective element
		This will ensure that all growers have the same information, knowledge and opportunity to obtain a Production Share in the future

Reduced discretion: Unless the Board declares a Critical Year, growers who fail to meet the minimum delivery requirements will have their Production Share redeemed.

A Class Share register – without discretion

- In 2016 there were **904 A Class Shares**. Had the Board not exercised discretion to defer redemptions, analysis shows there would have been **102 after 2020, rather than 558**.
- Based on assessment of CY21 harvest – preliminary assessment is application of existing A Class Share criteria may result in further reduction from **558 to 437**.
- In considering delivery requirements for proposed Production Share, Board had regard to estimated median tonnages for A Class Shareholder deliveries for CY21 season.
- Forecast is estimated at approximately **348 tonnes** per A Class Shareholder for CY21.

Crop Year	Tonnes	Opening A Class Shares – without discretion	Closing A Class Shares – without discretion	Closing A Class Shares - actual
2016*	244,184.67	904	643	806
2017	801,714.38	643	739	715
2018	623,002.96	739	776	706
2019*	54,771.14	776	546	605
2020*	44,806.01	546	102	558

* Critical Year declared by the Board

Critical Year

The Board is committed to reviewing the criteria it uses to determine Critical Years.

- Deliveries made during a ‘Critical Year’ will automatically satisfy the requirements of the Production Share for one year
- Under the proposed new structure, the Board will retain the right to exercise its discretion to defer redemption of an A Class Share in exceptional circumstances, including when Critical Years are declared

Key considerations

A Class Shareholders need to be aware of a number of key considerations regarding the proposal.

- The Board conducts periodic reviews of the A Class Share structure and other Grower incentives to ensure they are aligned with the commercial imperatives of SunRice
- The Board must be satisfied that the Proposal will not adversely affect the rights or economic interests of the B Class shareholders
- The issue of additional A Class Shares may have implications on a change of control event – ie a potential dilution of the A Class Share pool. This dilution is as between the A Class Shareholders (not as between the A and B Classes)
- Once finalised, the proposal will only be put to the Board / AGM if it is recommended by the **A Class Share Committee**
- All Shareholders will receive detailed information regarding the final proposal
- Changes will not be retrospective



Next steps

Any changes to the Constitution need to be put to the 2021 Annual General Meeting, and would require a majority of more than 75% of A Class Shareholders voting in favour.

Process

Any changes would require a majority of 75% at the 2021 Annual General Meeting.

The SunRice Board is committed to consulting with A Class Shareholders on any proposed changes.

- The Board is committed to consulting with A Class Shareholders on any proposed changes
- The A Class Shareholder Engagement Committee (comprised of the Group Chairman and CEO, other Grower and Independent Non-Executive Board Directors, and members of the SunRice Corporate Management Team) will assess Grower feedback
- A recommendation will then be made to the Board, which will determine if it believes there is support to proceed with a resolution at the 2021 Annual General Meeting (AGM)
- If following the consultation process the Board is of the view that there is not sufficient support for the proposal, it will not be taken forward to the 2021 AGM for approval of A Class Shareholders



Discussion

The SunRice Group is keen to understand the views of A Class Shareholders in relation to the proposal.



—*years*—
1950 - 2020