



ASX ANNOUNCEMENT

1 June 2021

Communication to A Class Shareholders and other Riverina rice growers

Attached is a letter and presentation which will be provided to A Class Shareholders and other Riverina rice growers regarding:

- Final proposed changes to the A Class Share criteria, following consultation and further to the ASX Announcement from the Company dated 9 March 2021 (***"A Class Share criteria consultation and CEO business update"***)
- Update on harvesting of the CY2021 Riverina rice crop
- Outlook for the CY2022 Riverina rice season
- NSW Government's periodic review of rice vesting arrangements.

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/>



1 June 2021

Dear A Class Shareholders and growers,

As harvesting for season CY21 draws to a close, I wanted to write to you to provide an update on a range of matters, including the recent consultation we conducted in March 2021 regarding proposed changes to the A Class Share criteria.

SunRice will be holding a series of informal meetings with growers and A Class Shareholders on 16-17 June 2021, to hear feedback from growers in relation to the recent season and any other key issues. I will attend all meetings along with Grower Directors from the Board, and management representatives.

SunRice Grower Services will distribute information regarding the meetings shortly, however, the intention is that they will be held in the following locations:

- **Wednesday 16 June:** Wakool (morning), Deniliquin (lunchtime) and Finley (evening)
- **Thursday 17 June:** Coleambally (morning), Griffith (lunchtime) and Yenda (evening).

CY2021 Riverina rice season

Firstly, while we've all been grateful to be harvesting a much larger crop than the past two seasons, I appreciate that there have been challenges experienced by growers, including impacts of unseasonably cold temperatures, variable yields, longer harvest windows than usual due to high moisture levels and mice damage. I have experienced these same issues growing rice this season, which has been incredibly frustrating for all of us after the past two seasons which were so drastically impacted by drought, low water availability and extremely high water prices.

Notwithstanding these frustrations, from a SunRice perspective we are pleased to have commenced processing the CY2021 crop, which is still anticipated to be up to 10 times the size of the CY2020 crop despite the reduced yields in some regions due to the above impacts. We expect to be in a position to disclose the final numbers regarding the CY2021 crop in late June following the completion of harvest.

This larger crop will enable SunRice to recommence exports of high-value branded Australian rice products to customers in some of our global markets who have been supplied from other sources due to the low Riverina production in CY2019 and CY2020. SunRice has built significant capability in international rice supply chains during recent years, and we utilised this capability to meet global demand with alternative sources of rice given the low production in Australia.

Backfilling these markets with internationally sourced rice has allowed SunRice to maintain positions for Australian rice when production is higher, and we are now looking forward to returning your high-quality rice to our most premium markets worldwide in an effort to deliver the highest possible returns to growers.

Outlook for CY2022 Riverina rice season

We are continuing to see a story of two valleys with regard to water availability. The NSW Government released its final allocation announcement for the current water year on 17 May, which maintained allocations for General Security in the Murrumbidgee at 100% and the NSW Murray at 50%. The outlook for opening allocations in the new water year are forecast to be 27% in the Murrumbidgee, with total carryover expected at 28%, and "low" in the NSW Murray, with total carryover expected to be 39%.

This is despite a resource improvement of 320 gigalitres, none of which was allocated to General Security.

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Ricegrowers Limited
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Approximately 200GL was allocated to repaying the balance of the Barmah-Millewa Borrow (which continued to accrue even in the recent years of 0%-3% General Security allocations), and 121GL allocated to 'reserves to assure high priority needs for 2021-22'.

SunRice and the Ricegrowers' Association of Australia continues to lead advocacy efforts with the NSW Government regarding concerns with its allocation framework, and with the NSW and Federal Governments regarding the continued impacts of water reform on General Security irrigators in the NSW Murray and Murrumbidgee.

Despite these challenges, we remain optimistic of increased rainfall, inflows and rice production in CY22, and understand that growers continue to value both fixed price contracts and a pool. SunRice continues to develop and improve products to incentivise increased rice production, including improvements to our PaddyPay payment options, and additional options for our GrowRice input funding facility.

SunRice has announced an early offer for GrowRice to assist eligible growers in funding carryover water for the CY22 season. GrowRice is typically available from 1 July to fund rice crop inputs (including water), however, for those growers who hold Water Access Licences with Murrumbidgee Irrigation, Coleambally Irrigation Co-operative Limited and Murray Irrigation Limited, GrowRice is now available prior to 1 July 2021 to fund the purchase of carryover water.

I strongly encourage growers to consider using this product to support increased rice production in CY22, and for any questions or assistance, please contact Grower Services on 1800 654 557.

Proposed changes to A Class Share criteria

Between 9 and 11 March 2021 SunRice held a number of consultation sessions across the Riverina regarding proposed changes to the A Class Share criteria, following a review conducted by the SunRice Board. More than 150 growers attended the consultation sessions, and provided valuable feedback on the proposed changes.

This public consultation followed engagements with the SunRice Grower Reference Group, and also the Ricegrowers' Association of Australia Central Executive, on the proposed changes.

Any changes to the A Class Share criteria would require amendments to the SunRice Group constitution, which can only occur if more than 75% of A Class Shareholders who vote at the Annual General Meeting are supportive of the resolution. Should the SunRice Board feel we have sufficient support of A Class Shareholders for the proposed changes, it is our intention to put forward a resolution for consideration at the 2021 Annual General Meeting, which is scheduled to take place in late August 2021.

The SunRice Board will make a final decision on resolutions to be put forward at the August 2021 AGM in late June, and as such I wanted to write to you in advance of that to outline the final proposed changes to the A Class Share criteria, and amendments which have been made in response to feedback received during the March public consultation.

By way of background, the 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, to stabilise the register.

The proposed changes are designed to achieve these objectives, while ensuring continued alignment of A and B Class Shareholders, not causing any value shift between the two classes of shareholders, and being in the interests of the company as a whole.

Attached to this letter is a presentation, which sets out the proposed amendments to the A Class Share criteria, and changes endorsed by the SunRice Board on the recommendation of the A Class Share Engagement Committee to respond to feedback received during the March public consultation.

The Board is strongly of the view that this is a very important initiative to the benefit of growers, A and B Class Shareholders, and the company as a whole, and we hope that A Class Shareholders are able to support the changes at the 2021 AGM. We believe this proposal is a strong step forward for the company that will achieve the objectives we outlined at the start of the review.

I welcome views from A Class Shareholders on whether they feel they can support these amendments at

the August 2021 AGM, prior to the Board's decision at the end of June. Should the Board determine to put the resolution forward at the August 2021 AGM, detailed information on the proposal will be provided to shareholders in the Notice of Meeting in July 2021.

Review of rice vesting arrangements

As growers would be aware, the NSW Government is currently reviewing the vesting or single desk marketing arrangements which have enabled us to effectively compete in world markets, and delivered significant benefits which are shared by all growers and the Riverina rice industry as a whole.

The NSW Department of Primary Industries has called for submissions, and public consultation will continue through until **21 July 2021**. Once harvest has concluded, I strongly urge growers to lodge submissions in support of the continuation of the arrangements.

The Ricegrowers' Association of Australia Central Executive has voted in-principle to support the continuation of the arrangements. SunRice is working with the RGA to ensure growers and the NSW Government are aware of the significant benefits these arrangements deliver, and also the significant risks to those benefits if the arrangements are abolished.

Continuation of the arrangements is not guaranteed, and grower support through the review will be critical.

Thank you for your continued support of the Riverina rice industry, and your company SunRice, and I hope to meet with you at one of the meetings we are holding on 16 and 17 June.

Yours sincerely,

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

Laurie Arthur
Chairman
SunRice Group



Final A Class Share structure proposal

31 May 2021



Key changes

The SunRice Group Board has endorsed a number of changes to the proposal following the March 2021 consultation with A Class Shareholders and growers.

Topic	Change or no change?
Discretion	For clarity: <ul style="list-style-type: none">• No discretion on redemption of Production Shares• Some discretion on redemption of Base Shares (in Critical Years)
Consistency of production for Production Share	Yes – include additional criteria of growers needing to deliver at least 400 tonnes in 2 out of the 4 years in response to consistent feedback, in addition to the existing criteria of maintaining a rolling average of 400 tonnes per year for four years (1600 tonnes).
Closing loopholes	Yes – will include clarifying language to remove the loophole that has been used whereby an A Class Share is voted without the requisite 3000 B Shares having been acquired in the required time period.
Critical Year definition	Yes – will clarify the possible circumstances under which a Critical Year may be declared by the Board.
B Class Share acquisition	No – acknowledged the issue of B Share acquisition potentially being a disincentive to new A Class Shareholders, but determined this was more appropriately dealt with through alternative mechanisms.
Transition and implementation	Yes – Notice of Meeting will clearly set out transition and implementation arrangements, including that there is no retrospectivity to the proposed changes.

Proposed new structure – Base Share

- No changes based upon the feedback from March 2021 public consultation.

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	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) 3000 B Class Shares not acquired within the specified period	

Proposed new structure – Production Share

- One change (in red) based upon the feedback received in the March 2021 public consultation.

Basis of allocation	Basis of redemption	Key points for consideration
<p>Annual average deliveries exceeding 400 metric tonnes over a rolling 4-year period, totaling at least 1600 metric tonnes in any 4-year period</p> <p>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</p> <p>Grower must deliver at least 400 tonnes in at least 2 of the 4 years, in addition to maintaining the rolling average of 400 tonnes over four years (1600 tonnes)</p>	<p>Rolling average falls below 400 metric tonnes in any one year and/or loss of 'Active Grower' status</p> <p>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)</p>	<p>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</p> <p>Shares issued based on future production with no retrospective element</p> <p>This will ensure that all growers have the same information, knowledge and opportunity to obtain a Production Share in the future</p>

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



—years—
1950 - 2020