CHAIRMAN'S LETTER

Dear Shareholders and RMB Equity Holders,

OPPORTUNITY TO CONVERT ALL RMB EQUITY TO CASH AND SHARES

I am pleased to present to you the details of our fourth Capital Raising Offer, including a new option involving the conversion of **all** of your **RMB Equity** into a combination of B Class Shares and an upfront cash payment.

The RMB Equity Conversion Offer is an opportunity to release your non-interest bearing RMB Equity into tradeable B Class Shares, with immediate dividend entitlements, while investing in the future of our company.

A substantial amount of RMB Equity ($77 million) and Rice Bonds ($17 million) is available for conversion to B Class Shares. In the current financial climate, a solid base of share capital is critical to provide the necessary financial strength and stability, and the flexibility to make sound decisions and undertake long-term commitments.

This Offer, which is voluntary, will enable RMB Equity Holders to receive an upfront cash payment, and have the ability to invest in SunRice by exchanging RMB Equity, which is not interest bearing and repayable over the period to 30 June 2016, for B Class Shares that:

- Can be traded on the National Stock Exchange; and
- Have an entitlement to participate in any dividends declared, including the fully franked dividend of 22.5c per share announced for the year ended 30 April 2009, as well as future dividends.

The **cash component represents 10% of the RMB Equity** and may be taken as cash, or be used to apply for B Class Shares. As this represents an early repayment, to the extent that it relates to RMB Equity that is maturing in the period from 30 June 2010 to 30 June 2016, the cash amount has been discounted at the net present value rate of 9% to reflect the time value of money.

The **remaining 90% of the RMB Equity must be applied to pay for B Class Shares**. These New Shares have variable issue prices, depending on the maturity date of RMB Equity converted. This is appropriate as the process will involve RMB Equity, which is repayable on a future date, being exchanged for B Class Shares with an entitlement to participate in the dividend just announced, as well as any future dividends determined in subsequent years.

Further particulars of the Conversion Proposal are set out in sections 1.2 and 1.3 of this Prospectus and all RMB Equity Holders will have their individual entitlement to Cash and B Class Shares calculated and set out in their RMB Equity Holder Application and Acceptance Form which accompanies this Prospectus.

Section 7 of the Prospectus includes an independent expert's report prepared by KPMG Corporate Finance (Aust) Pty Ltd, who have assessed the Conversion Proposal and concluded that it is fair and reasonable from the perspective of B Class Shareholders and RMB Equity Holders.

The Offer, (which includes the Conversion Proposal and the offer to existing B Class Shareholders and New Growers), has been structured to enable applicants to apply and pay for New Shares by the following means:-

- RMB Equity Conversion Offer.
- The 2009 RMB Equity Rollover Payment.
- Rice Bonds, which will earn the relevant interest up to the date on which the shares are issued.
- Cash.

It is important that we highlight that, if SunRice is unable to raise this level of permanent share capital from existing Shareholders and RMB Equity Holders, it is inevitable that the Company will have to consider other options, including seeking approval to raise funds from external investors.

Again, all new B Class Shares will be eligible to participate in the fully franked dividend of 22.5c per share that has been announced by the Company in respect of the year ended 30 April 2009.

It is important that your response is received by 30 June 2009.

Yours sincerely,

Gerry Lawson
Chairman

IMPORTANT INFORMATION

This Prospectus is dated 1 June 2009 and was lodged with ASIC on that date. Neither ASIC nor the NSX takes any responsibility for the contents of this document.

Applications for New Shares under this Prospectus must be received by the Company by 5.00pm on 30 June 2009. No shares will be issued on the basis of this Prospectus later than 31 July 2009, being the expiry date of this Prospectus.

Summary of Key Dates	
Date of Prospectus	1 June 2009
Date Prospectus lodged with ASIC	1 June 2009
Date and time Applications for Shares under this Prospectus close	30 June 2009
Expiry date of Prospectus	31 July 2009

It is important that you read this Prospectus, including the KPMG Report, in full before deciding to invest in the Company. In particular, when considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

Foreign Jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Shares or to otherwise permit a public offer of Shares outside Australia.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Directors.

Electronic Prospectus

This Prospectus may be viewed online at www.sunrice.com.au. The offer constituted by this Prospectus in electronic form is only available to Shareholders who receive the electronic version of this Prospectus in Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of this Prospectus. Applications for Shares may only be made on the Application Form accompanying this Prospectus. The Application Form may be printed from the electronic version on the website. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Company on 1800 654 557.

Forward Looking Statements

This Prospectus may contain forward looking statements which have not been based solely on historical facts but on the Company's expectations about future events and results. You should consider that as such statements relate to future matters, they are subject to various inherent risks, uncertainties and assumptions that could cause actual results or events to differ materially from expectations described in the forward looking statement. Neither the Company, the Directors, nor any other person named, with their consent, in this Prospectus can assure you that any forward looking statement or implied result will be achieved.

Other Documents

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. In particular, the Company is obliged to comply with the continuous disclosure requirements in the NSX Listing Rules. Copies of documents lodged with ASIC may be obtained from, or inspected at, an office of ASIC. The Company will provide a copy of any of the following documents free of charge upon request:

- The Annual Financial Report of the Company most recently lodged with ASIC.
- Any Half Year Financial Report lodged with ASIC and any continuous disclosure notices given to NSX by the Company after the lodgement of that Annual Financial Report and before the lodgement of a copy of this Prospectus with ASIC.

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1. DETAILS OF THE OFFER

1.1 Description of the Offer

The Offer provides an opportunity for B Class Shares to be acquired by:

(a) RMB Equity Holders who can accept the Conversion Proposal (as outlined in section 1.2) in respect of all of their RMB Equity, thereby converting 90% of their RMB Equity into B Class Shares. They can also use the 10% discounted cash component to subscribe for further B Class Shares. RMB Equity Holders who do not wish to accept the Conversion Proposal, can subscribe for B Class Shares in cash, including their 2009 Equity Rollover Payment, or by applying Rice Bonds.

(b) Existing Shareholders, New Growers and their Approved Entities who can subscribe for B Class Shares to be paid for either in cash or by applying Rice Bonds (or a combination thereof).

Rice Bonds that are applied to pay for New Shares will be entitled to pro rata interest up to the date on which the New Shares are issued.

All New Shares will be entitled to participate in the dividend of 22.5c per share that has been announced by the Company in respect of the financial year ended 30 April 2009.

The Application Form accompanying this Prospectus sets out instructions on how to acquire B Class Shares.

1.2 RMB Equity Conversion Proposal

If you are an RMB Equity Holder, the Conversion Proposal gives you an opportunity to convert all of your RMB Equity into a combination of cash and B Class Shares as follows:

(a) the cash payment will represent 10% of your total RMB Equity, with the amount payable for this 10% component being discounted (in respect of RMB Equity payable on or after 30 June 2010) at the rate of 9% per annum to reflect the time value of money; and

(b) the B Class Shares for 90% of your total RMB Equity, will be issued at the prices referred to in section 1.3, depending on the repayment date of the RMB Equity.

It is important to note that RMB Equity Holders can only accept the Conversion Proposal in respect of all, and not some lesser proportion, of their RMB Equity.

In order to assist RMB Equity Holders, a calculation of the cash payment and the number of B Class Shares that they would receive if they accept the Conversion Proposal will be sent to them in the form of an individual Application and Acceptance Form.

1.3 Issue Price

The issue price of New Shares paid for by cash or Rice Bonds is $2.14. The price of New Shares issued under the Conversion Proposal will vary as set out in the following table depending upon the year in which the RMB Equity is repayable.

Payment Method	Issue Price
Cash and Rice Bonds	$2.140
2009 RMB Equity	$2.140
2010 RMB Equity	$2.365
2011 RMB Equity	$2.590
2012 RMB Equity	$2.815
2013 RMB Equity	$3.040
2014 RMB Equity	$3.265
2015 RMB Equity	$3.490
2016 RMB Equity	$3.715

The higher issue price payable for New Shares issued on the conversion of RMB Equity that is repayable on or after 30 June 2010 takes into consideration the time value of money. In particular, it reflects the fact that holders of this RMB Equity would not receive repayment of their RMB Equity until a later date and, by converting into B Class Shares, they will be entitled to any dividends that may be declared by the Company. In calculating the issue price of B Class Shares an annual dividend of 22.5c per share has been assumed. There is, however, no guarantee that dividends will be payable on B Class Shares as this is a matter that is dependent on the financial performance of the Company (see section 2.3 for further discussion).

B Class Shares are listed on NSX and may be traded between Shareholders. During the period from the commencement of trading on the NSX on 18 June 2007 until 30 April 2009, B Class Shares have traded at prices between $2.50 and $1.50. However, the restricted nature of the market means that there is a limited range of potential buyers and accordingly, the market price of B Class Shares may not fully reflect the underlying value of the Company. The Board has taken this fact, the historical dividend rate, and that a relatively small number of B Class Shares have been traded on NSX when setting the issue price of the New Shares.

1.4 KPMG Report

The Company commissioned KPMG, at the request of RMB, to prepare an independent expert's report on the Conversion Proposal in order to provide additional information to Shareholders and RMB Equity Holders. In their report, a copy of which is included in section 7 of this Prospectus, KPMG has concluded that the Conversion Proposal is fair and reasonable having regard to the interests of B Class Shareholders and RMB Equity Holders.

1.5 Share Capital Structure

There are two classes of Shares in the Company, A Class Shares and B Class Shares.

A Class Shares are redeemable preference shares that can only be issued to Active Growers or persons that the Board believes will become Active Growers. Holders of A Class Shares are entitled to one vote at all general meetings of the Company but have no right to receive dividends or other distributions. New Growers who are entitled to subscribe for B Class Shares in this Offer will have recently applied to become A Class Shareholders.

B Class Shares have no voting rights (except in very limited circumstances associated with changing the rights attached to B Class Shares) but entitle the holder to participate in dividends and other distributions. Further particulars of the rights and liabilities of B Class Shares are set out below in section 1.6.

The Company has issued the following Shares as at the date of this Prospectus:

Issued Share Capital	Number of Issued Shares	Amount Paid Up A$
A Class Shares	1,042	Nil
B Class Shares	35,992,886	58,072,115

The number of additional B Class Shares on issue after the Share Issue will depend on the number of New Shares that are subscribed for and issued. The Company recently established the Employee Share Plan and the Board intends to make separate offers to selected participants under the Employee Share Plan.

1.6 Rights and liabilities of B Class Shares

The rights and liabilities attaching to B Class Shares arise from a combination of:

(a) the Constitution of the Company; and

(b) in certain circumstances, the Corporations Act, the NSX Listing Rules and the general law.

Dividend and distribution rights

B Class Shares represent the economic ownership of the Company. B Class Shares have the right to receive dividends declared and other distributions made by the Company from time to time. New Shares will be entitled to participate in the dividend of 22.5c per share that has been announced by the Company in respect of the financial year ended 30 April 2009.

B Class Shares have the right to participate equally with other B Class Shareholders in the distribution of surplus funds on a winding up of the Company.

Voting rights

B Class Shares do not carry any voting rights (except in very limited circumstances associated with changing the rights attached to B Class Shares).

Notices

B Class Shareholders have the right to receive notice of and attend any general meeting of the Company, but no right to vote at general meetings. Each B Class Shareholder is entitled to accounts and other documents required to be sent to Shareholders pursuant to the Constitution, the Corporations Act, and the NSX Listing Rules.

Issue of B Class Shares

B Class Shares can only be issued to:

(a) A Class Shareholders or persons to whom the Directors have agreed to issue an A Class Share;

(b) Persons who, at the time of the issue, are existing B Class Shareholders;

(c) Approved Entities of existing Shareholders (in relation to Shareholder superannuation funds approved by the Board);

(d) Participants under an Employee Share Plan; and

(e) RMB Equity Holders.

Transfer of B Class Shares

B Class Shares can be transferred to another Shareholder or to an Approved Entity of a Shareholder (subject to maximum shareholding limits). B Class Shares that vest in a person, such as an executor, trustee in bankruptcy or liquidator, upon the occurrence of a Transmission Event are subject to the same limitations on transfer from that person, namely they can only be transferred to a Shareholder, or Approved Entity of a Shareholder.

Maximum shareholding limits

A Shareholder cannot hold a number of B Class Shares that, when aggregated with any B Class Shares held by all Associates of that Shareholder, exceeds 5% of the total number of issued B Class Shares.

Non-redeemable

B Class Shares are not redeemable. B Class Shares may be bought back by the Company in accordance with the Corporations Act.

Liability to pay issue price

Shareholders are liable to pay the amount, if any, unpaid on B Class Shares. As all B Class Shares issued under this Prospectus will be fully paid, the holders of those Shares will have no contingent liability in this respect.

1.7 Number of New Shares

There is no minimum number of B Class Shares offered under this Prospectus. The maximum number of B Class Shares that can be issued under this Prospectus is set by NSX Listing Rule 6.25(1) which provides that, subject to certain exceptions, the Company can not issue a number of new Shares in any twelve (12) month period which would exceed 15% of its share capital without Shareholder approval.

Shareholder approval has been previously obtained to enable the issue of all B Class Shares paid for by application of Rice Bonds or RMB Equity, therefore, the NSX Listing Rules do not limit the number of B Class Shares that can be issued on conversion of Rice Bonds or RMB Equity. In this respect, if all of the RMB Equity and Rice Bonds held directly or indirectly by Shareholders is converted into B Class Shares, approximately 34 million New Shares would be issued.

In addition, with the benefit of an earlier Shareholder approval, a further 10.5 million B Class Shares could be issued on a cash subscription basis. B Class Shares issued under the Employee Share Plan or the Dividend Reinvestment Plan are exempted from this 15% limit.

New Shares will not be issued if it would result in a breach of the maximum Shareholding restrictions in the Constitution, as outlined in Section 1.6.

1.8 How to Apply for Shares Under the Offer

Applications under the Offer will only be accepted on the relevant Application Forms accompanying this Prospectus. The Application Forms include detailed instructions on how to complete the forms. An Application constitutes a subscription for B Class Shares on the terms and conditions set out in this Prospectus.

The completed Application Form must be delivered to the registered office of the Company by 5pm on the Closing Date.

1.9 Closing Date

The Closing Date for the receipt of Applications for New Shares is 30 June 2009. However, the Company reserves the right to extend the Closing Date in its sole discretion.

1.10 Allotment and Issue

New Shares applied for will be issued as soon as possible after the Closing Date, subject to payment of the issue price. New Shares will not be issued if the issue would result in a breach of the Constitution or any law.

1.11 Application Monies and Application to NSX

In accordance with Section 722 of the Corporations Act, all Application Monies will be held in trust by the Company until the Shares are issued.

An application will be made to NSX for Quotation of the New Shares issued under this Prospectus within seven days after the date of this Prospectus.

If Quotation of the New Shares is not granted within three months of the date of this Prospectus the Company will refund Application Monies in accordance with section 723(3) of the Corporations Act.

No interest will be paid on any Application Monies refunded as a result of withdrawal of the Offer or the failure of the New Shares to be quoted on the NSX within three months of the date of this Prospectus or otherwise. Any refunds will be mailed to unsuccessful Applicants as soon as practicable.

1.12 Shareholding Ownership Statements

The Company will mail Shareholding ownership statements to successful Applicants within two months following the issue and allotment of the New Shares.

1.13 Taxation

The acquisition and disposal of Shares in the Company will have taxation consequences, which will differ depending upon the personal circumstances of each Shareholder. If RMB Equity Holders accept the Conversion Proposal they may be deemed to have received the full amount of their RMB Equity for tax purposes. Shareholders should seek their own taxation advice from a suitably qualified advisor in relation to the taxation consequences of subscribing for Shares under this Prospectus.

1.14 Discretion Not to Proceed

The Company reserves the right not to proceed with the Offer at any time. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of withdrawal of the Offer or otherwise.

1.15 Enquiries

Questions relating to this Prospectus should be directed to the Company on 1800 654 557.

2. FINANCIAL INFORMATION

2.1 Right to obtain copy of financial reports and disclosure notices

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date by contacting the Company on 1800 654 557:

- The Annual Financial Report of the Company most recently lodged with ASIC;
- Any Half Year Financial Report lodged with ASIC and any continuous disclosure notices given to NSX by the Company after the lodgement of that Annual Financial Report and before the lodgement of a copy of this Prospectus with ASIC.

Copies of other documents lodged by the Company with ASIC may be obtained from, or inspected at an office of ASIC.

2.2 Purpose of the Offer

The purpose of the Offer is to:

- Raise share capital to ensure that the Company further develops a strong share capital base to provide it with the necessary financial strength to support both its existing businesses and future investment opportunities.
- Apply the share capital funds raised through the Offer to reduce the Company's reliance on short term borrowings and improve its gearing ratio (the ratio of borrowed funds to shareholders' equity).
- To facilitate the conversion of Rice Bonds and RMB Equity into B Class Shares, thereby further strengthening the Company's permanent capital base.

2.3 Effect of the Offer on the Company

The following points identify effects of the Offer on the Company. A more detailed assessment of the effects of the Conversion Proposal on the Company is contained in the KPMG Report.

- Rice Bonds that are applied to pay up New Shares will cease to be liabilities of the Company, and the Company will no longer pay interest on them after the date on which the New Shares are issued.
- Amounts received by way of cash subscriptions for New Shares will be applied to reduce the amount outstanding under the Company's loan facilities.
- The Company's wholly owned subsidiary AGS, purchased all of RMB's storage shed assets in 2006 (see section 2.4) on the basis that the purchase price would be paid in annual instalments, with those instalments being applied by RMB to repay maturing RMB Equity. The funds that would otherwise be paid out under these arrangements will remain in the Ricegrowers Group to the extent that RMB Equity is converted into B Class Shares.
- The implementation of the Conversion Proposal requires AGS to make an advance payment in respect of the outstanding purchase price under the Asset Sale Deed. However, as outlined in section 2.4 below, 90% of this early payment will be re-invested by RMB Equity Holders in B Class Shares, with RMB Equity Holders having the opportunity to apply the discounted 10% cash component to subscribe for additional B Class Shares.
- The New Shares issued under the Offer will increase the Company's share capital. The total number of B Class Shares issued will depend on the level of acceptance of the Offer.

- If all RMB Equity Holders accept the Conversion Proposal 26,138,114 B Class Shares will be issued.
- If all Rice Bonds held by Shareholders are applied to pay for New Shares 7,970,826 further B Class Shares would be issued.
- New Shares will be entitled to participate in the dividend of 22.5c per share that has been announced by the Company in respect of the financial year ended 30 April 2009 and any dividends determined in subsequent years. Accordingly, the total amount paid out by the Company in dividends will increase if it maintains the current dividend rate on the increased number of B Class Shares resulting from acceptances of the Offer.
- The relative ownership interests between B Class Shareholders may be altered by the issue of New Shares. All existing Shareholders will, nevertheless have the opportunity to participate and acquire further B Class Shares in the Offer, subject to the 5% maximum shareholding limit. B Class Shareholders who do not participate in the Offer will, depending on acceptance levels, have their proportionate shareholdings diluted.

2.4 Implementation of the Conversion Proposal

On 30 June 2006, the Company's wholly owned subsidiary, AGS, purchased all of the storage shed assets then owned by RMB pursuant to the Asset Sale Deed for a purchase price of approximately $125 million, of which around $77 million remains to be paid. This equates to the outstanding RMB Equity and is payable in annual instalments that enables RMB to pay out RMB Equity as it becomes due.

The Company, AGS and RMB have entered into an Implementation Agreement for the purpose of documenting the processes involved in the Conversion Proposal. In accordance with this Agreement, if RMB Equity Holders accept the Conversion Proposal, the following will occur:

- A calculation will be made of the cash component to be paid and the number of B Class Shares to be issued to each RMB Equity Holder who accepts the Conversion Proposal.
- The cash components (representing discounted payments for 10% of the RMB Equity held) to which the relevant RMB Equity Holders are entitled will be paid directly to RMB Equity Holders.
- The B Class Shares to which the relevant RMB Equity Holders are entitled will be paid up from the balance of their RMB Equity and issued to them.
- The RMB Equity Holders who accept the Conversion Proposal will accept the cash and B Class shares in full satisfaction of the amounts payable to them by RMB under the terms of their RMB Equity.
- The outstanding balance of the purchase price payable by AGS to RMB under the Asset Sale Deed will be reduced by the aggregate amount of RMB Equity held by RMB Equity Holders who accept the Conversion Proposal.

From the perspective of the Company, this means that 90% of the amount applied by its subsidiary AGS to make the early payment to RMB under the Asset Sale Deed, will ultimately be reinvested by RMB Equity Holders in the Company in the form of B Class Shares.

3. INVESTMENT RISKS

Every investment in shares in a company involves an element of risk. Before accepting the Offer, you should consider whether the New Shares are suitable securities for you to acquire, having regard to your own investment objectives and financial circumstances.

The business activities of SunRice give rise to a number of significant business and financial risks which are inherent in the Australian rice industry and the international market for rice foods. To minimise industry-specific risks the Company has established risk management procedures which are internally and externally reviewed on a regular basis.

The factors detailed below should not be taken as an exhaustive list of the risks faced by the Ricegrowers Group or its investors. These factors and others not specifically referred to may materially affect the profitability of the Ricegrowers Group and the value of the Shares.

You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus before you decide whether to apply for B Class Shares.

3.1 Supply of Australian Rice

SunRice is exposed to fluctuations in the volume and quality of rice supplied by Australian rice growers. Fluctuations in volumes of supply may, when surplus to expectation, result in greater volumes being sold on the world market at prevailing commodity prices, or, when in short supply, endanger market relationships and/or result in under-recovery of overheads.

3.2 Supply of Overseas Rice

SunRice's overseas rice sourcing strategy aims to ensure that SunRice has ongoing, reliable sources of quality rice to meet market requirements. With the continuing drought conditions in Australia, SunRice remains highly dependent on this strategy.

The world Medium Grain rice market is currently experiencing volatile conditions, as supply constraints in major exporting countries have resulted in sharp increases in international prices. The success of the overseas rice sourcing strategy is dependent upon the ability to acquire regular supplies of high quality rice at a competitive price. Fluctuations in world prices can significantly adversely impact the availability and profitability of rice trading.

SunRice is continuing to consider and implement alternative sourcing and processing strategies to ensure the efficient and continuous supply of rice supplies from established sources in Thailand, Vietnam, China, US, Egypt and India. In this respect, the Company owns majority interests in rice storage, milling and packing facilities in California USA, Papua New Guinea and Jordan.

3.3 Availability of Water/Drought

In recent Crop Years, the volume of rice available from Growers has been adversely affected by drought conditions and the resultant limited access to water from the irrigation schemes that service Growers.

SunRice seeks to mitigate the risk of short crops by carrying over rice from the preceding Crop Year, where this is possible, primarily to support important domestic and strategic export markets, and through its rice trading operations and alliances which enable it to access rice from international suppliers to meet market requirements. SunRice constantly monitors the availability of water and anticipated rice production and will continue to assess and, if necessary, adjust its infrastructure, resources and funding in response to these conditions.

3.4 Domestic Deregulation

In accordance with amendments to the Marketing of Primary Products Act (now called the Rice Marketing Act), which took effect on 1 July 2006, the RMB may appoint additional authorised buyers who will have the right to purchase rice from producers in New South Wales. This has the potential to affect the Company's market share of domestic rice sales. However, as the Company has retained its position as the sole exporter of New South Wales rice, the effect will be limited to the Australian domestic market.

3.5 Exclusive Export Agreement Risk

Effective 1 July 2006, the Company was appointed by RMB as the exclusive exporter of rice grown in New South Wales for an initial term of five years under the Sole and Exclusive Export Agreement. This agreement can be terminated after that initial five-year period by RMB giving at least five years notice. This effectively gives the Company the exclusive export rights for rice grown in NSW for a minimum period of 10 years from 1 July 2006.

3.6 Credit Risk

SunRice manages the credit risk on sales to end customers through a range of credit instruments, credit checks, risk assessments and intelligence monitoring. Sales to offshore entities are settled through high-ranking credit instruments such as Irrevocable Letters of Credit and Cash Against Documents, wherein the credit risk to SunRice is limited to a short period of time. The Company does not have significant exposure to any individual customer or counterparty, and has a history of negligible default in international business transactions.

3.7 Rice Price and Foreign Currency Exchange Risk

SunRice is exposed to the risks of global rice supply and demand fluctuations which affect the prices that can be gained in export markets. Australian dollar receipts are also exposed to the risk of currency fluctuations. When considered appropriate, SunRice participates in foreign currency hedging to manage its exposure and mitigate adverse movements in exchange rates.

3.8 Interest Rate Risk

SunRice has core and seasonal borrowing requirements as a result of the nature of its business and its Grower lending activities. The exposure to movement in interest rates on these borrowings is managed by hedging/fixing the interest rate on a proportion of this debt portfolio, as considered appropriate by the SunRice Board.

3.9 Saleability of Shares and Determination of Share Price

The Company has been admitted to the official list of the NSX and official quotation of its B Class Shares commenced on 18 June 2007. The listing of the B Class Shares on the NSX enables B Class Shareholders to trade their Shares with other Shareholders of the Company (subject to maximum Shareholding limits). Whilst the B Class Shares are listed on the NSX, there is a limited market for B Class Shareholders to trade their Shares and the price of the B Class Shares may not fully reflect the underlying value of the Company. The price at which B Class Shares are traded may be influenced by a variety of factors including:

- The profitability and prospects of the Ricegrowers Group;
- The rate of dividend declared from time to time by the Board;
- The limited transactions as a result of the restricted pool of potential purchasers; and
- The limit on the number of Shares that can be held by B Class Shareholders.

3.10 Ricegrowers Group Profitability

The Ricegrowers Group's profitability is subject to both internal and external factors. Some of these factors can be mitigated by appropriate commercial action, but many are outside the Company's control.

Internal Factors

Internal factors that may affect the Ricegrowers Group's profitability include:

- The profitability of individual business units and profit centres of the Ricegrowers Group;
- The adoption of policies and practices within the Ricegrowers Group.

External Factors

External factors that may affect the Ricegrowers Group's profitability include:

- The economic health of Australia and other countries, particularly those in which the Ricegrowers Group operates;
- The stability of governments and changes in fiscal, monetary and regulatory policies of those governments;
- The strength of the global rice and food industry; and
- The level of competition in the markets in which the Ricegrowers Group operates.

4. ADDITIONAL INFORMATION

4.1 Transaction Specific Prospectus

The Company is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under these obligations, the Company is obliged to comply with all applicable continuous and reporting requirements in the NSX Listing Rules.

This Prospectus is issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities, which are continuously quoted securities. Apart from formal matters, this Prospectus need only contain information relating to the terms and conditions of the Offer (refer to Section 1), the effect of the Offer on the Company (refer to Section 2.3) and the rights and liabilities attaching to the B Class Shares (refer to Section 1.6).

4.2 Interests and Fees of Certain People Involved in the Offer

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director and none of the persons involved in the Offer and referred to below has, or has had, in the last two years, any interest in:

(a) The formation or promotion of the Company;

(b) Property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or

(c) The Offer.

Other than as set out below or elsewhere in this Prospectus, no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given:

(a) To any Director or proposed Director to induce them to become, or to qualify as, a Director; or

(b) To any Director or proposed Director for services provided by him in connection with the formation or promotion of the Company or the Offer; or

(c) To any of the persons involved in the Offer for services provided by them in connection with the formation or promotion of the Company or the Offer.

Directors' Interests

Set out below are details of the interest of the Directors in the securities of the Company and RMB Equity immediately before lodgement of the Prospectus with ASIC. Interest includes those held directly or indirectly or through an Associate. The table does not take into account any new Shares the Directors may acquire under the Offer. It should be noted that GF Lawson, NG Graham and GL Kirkup are Members of RMB.

Name of Director	How Held	Total Number of A Class Shares	Total Number of B Class Shares	Total Amount of RMB Equity
GF Lawson	GF & SB Lawson	1	N/A	$226,362
	GF & SB Lawson Pty Ltd as trustee for the Lawson Family Superannuation Fund	N/A	222,853	N/A
DM Robertson	DM & MS Robertson Pty Ltd	1	60,976	$157,039
	DM & MS Robertson Pty Ltd Superannuation Pty Ltd as trustee for the Robertson Superannuation Fund	N/A	70,340	N/A
LJ Arthur	LJ Arthur	1	32,809	$135,891
	LJ Arthur & RF Arthur	N/A	107,387	$73,372
NG Graham	NG & LE Graham	1	71,276	$90,076
G Helou	N/A	N/A	N/A	N/A
RA Higgins AO	N/A	N/A	N/A	N/A
GL Kirkup	Kirkup Farms Pty Ltd	1	28,365	$91,035
GF Latta AM	N/A	N/A	N/A	N/A
N McAllister	Norman McAllister	1	2,773	$5,881
	Strathcona Pty Ltd	1	59,303	$184,526
AD Walsh	AD & KL Walsh	3	124,987	$180,678
	AD KL TR & R Walsh	1	1,337	$14,475

Interest and Fees of Professionals

This Section applies to persons named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, promoters of the Company and stockbrokers or arrangers (but not sub-underwriters) to the Offer (collectively Prescribed Persons).

Other than as set out below or elsewhere in this Prospectus, no Prescribed Person has, or has had in the last 2 years, any interest in:

(a) The formation or promotion of the Company;

(b) Property acquired or proposed to be acquired in connection with the formation or promotion of the Company or the Offer; or

(c) The Offer.

Other than as set out below or elsewhere in this Prospectus, no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with the:

(a) Formation or promotion of the Company; or

(b) Offer of B Class Shares under this Prospectus.

KPMG Corporate Finance (Aust) Pty Ltd has been paid $123,808 (inclusive of GST) for the preparation of the independent expert's report included in this Prospectus.

DibbsBarker has acted as lawyers to the Company and has performed work in connection with the Offer, for which it will be paid approximately $125,000 (inclusive of GST) plus disbursements.

4.3 Consents

Written consents to the issue of this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

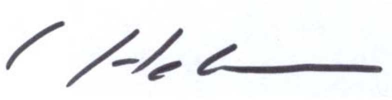
(a) Each of the Directors has given and has not withdrawn his or her consent to be named in this Prospectus in the form and context in which he or she is named.

(b) DibbsBarker has given and has not withdrawn its consent to be named in this Prospectus as Lawyers to the Company in the form and context in which it is named. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name.

(c) KPMG Corporate Finance (Aust) Pty Ltd has given and has not withdrawn its consent to the inclusion of its independent expert's report in the form and context in which it is included.

5. SIGNATURE

Signed for the purposes of Section 351 of the Corporations Act on the date of this Prospectus by:



Gary Helou

Director of Ricegrowers Limited

6. GLOSSARY

"**A Class Shares**" means A Class Shares in the Company.

"**AGS**" means Australian Grain Storage Pty Limited ABN 46 000 333 648.

"**Applicant**" means an applicant for New Shares under this Prospectus.

"**Application**" means an application to acquire New Shares pursuant to this Prospectus.

"**Application Form**" means the RMB Equity Holder Application and Acceptance Form or the Application Form for Additional B Class Shares attached to or accompanying this Prospectus.

"**Application Monies**" means monies received from Applicants in respect of their Applications.

"**Approved Entity**" means in relation to a person who is a Shareholder or New Grower, the trustee of a superannuation fund:

(a) Of which the person is a beneficiary; and

(b) That has been approved by the Directors.

"**Asset Sale Deed**" means the Asset Sale Deed between RMB and AGS dated 30 June 2006.

"**Associate**" means, in relation to a person ("primary person"):

(a) If the primary person is a body corporate, a director or secretary of the body corporate, its related bodies corporate and a director or secretary of any of its related bodies corporate;

(b) A person with whom the primary person has entered into, or proposes to enter into, a relevant agreement, as defined in the Corporations Act, for the purpose of controlling or influencing the composition of the Board or the conduct of the company's affairs;

(c) A person with whom the primary person is acting, or proposes to act, in concert in relation to the company's affairs.

For the purposes of this definition, "body corporate", "control", "relevant agreement" and "related body corporate" have the same meaning as in the Corporations Act.

"**ASIC**" means the Australian Securities and Investments Commission.

"**B Class Shares**" means B Class Shares in the Company.

"**Board**" means the Board of Directors of the Company.

"**Closing Date**" means 5.00pm on the date specified in this Prospectus as the final date for receipt of applications for New Shares or such later date as the Board determines.

"**Company**" means Ricegrowers Limited ABN 55 007 481 156.

"**Complementary Business**" means business activities conducted by SunRice which are not "Rice Milling and Marketing" activities, including CopRice, rice cakes, flour, specialty rice foods group (SRFG), Riviana Foods Pty Ltd and Trukai Industries Limited.

"**Conversion Proposal**" means the component of the Offer that entitles RMB Equity Holders to convert all of their RMB Equity into a combination of cash and B Class Shares, as outlined in Section 1.2 of this Prospectus.

“**Corporations Act**” means the Corporations Act 2001 (Cth).

“**Crop Year**” means the period during which a rice crop is planted, grown and harvested. A particular Crop Year is identified by the calendar year in which the rice crop is harvested.

“**Directors**” means the directors of the Company.

“**Dollars**” and the sign "**$**" mean Australian Currency.

“**Employee Share Plan**” means the Company’s Employee Share Plan as defined in the Constitution of the Company.

“**Grower**” means a person who grows rice in Australia and supplies it to the Company.

“**KPMG Report**” means the independent expert’s report prepared by KPMG Corporate Finance (Aust) Pty Ltd in relation to the Conversion Proposal, a copy of which is contained in section 7 of this Prospectus.

“**New Grower**” means a Grower is, or has been approved by the Board as, an A Class Shareholder but who does not currently hold any B Class Shares.

“**New Shares**” means the new B Class Shares issued under the Offer.

“**NSX**” means the National Stock Exchange of Australia Limited.

“**NSX Listing Rules**” means the listing rules of NSX.

“**Offer**” means the offers of New Shares made in accordance with this Prospectus.

“**Quotation**” means the quotation of the Shares on the NSX.

“**Rice Bond**” means a rice bond in the Company.

“**Rice Milling and Marketing**” means business activities conducted by SunRice which include milling, marketing, packaging, branding, which includes all activities relating to the process of transforming raw paddy into bulk or packaged milled rice (Australian and non-Australian rice).

“**Ricegrowers Group**” means the Company and its controlled entities.

“**RMB**” means the Rice Marketing Board for the State of New South Wales.

“**RMB Equity**” means the right to receive a payment under the RMB Capital Equity Rollover Scheme. Where preceded by a year, it refers to RMB Equity repayable on 30 June of that year.

“**RMB Equity Holder**” means the holder of RMB Equity.

“**2009 RMB Equity Rollover Payment**” means the amount payable in 2009 to RMB Equity Holders under the RMB Capital Equity Rollover Scheme.

“**Shareholder**” means a holder of Shares in the Company.

"**Shares**" means issued Shares in the Company, including A Class Shares and B Class Shares.

“**Share Issue**” means the issue of New Shares under this Prospectus.

“**SunRice**” means the business carried on by the Company.

"**Transmission Event**" means:

(a) In respect of a Shareholder who is an individual:

(i) the death of the Shareholder;

(ii) the bankruptcy of the Shareholder;

(iii) the Shareholder becoming of unsound mind; or

(iv) the Shareholder becoming liable to be dealt with in any way under the law relating to mental health; and

(b) In respect of a Shareholder who is a body corporate, the dissolution of the Shareholder or the succession by another body corporate to the assets and liabilities of the Shareholder.

KPMG Corporate Finance (Aust) Pty Ltd
Australian Financial Services Licence No. 246901
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Sydney NSW 2000

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Australia Square 1213
Australia

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Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 8021
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Ricegrowers Limited
Level 2
66 Clarence Street
Sydney NSW 2000

Our ref 4881218_5

17 April 2009

Dear Sirs

Independent expert report and Financial services guide

1 Introduction

The Board of Ricegrowers Limited (SunRice) has requested KPMG Corporate Finance (Aust) Pty Ltd (KPMG) prepare an independent expert report for distribution to the SunRice B Class Shareholders and the RMB Equity Holders (the Report) in relation to a proposal to convert certain debt into SunRice B Class Shares (Conversion Proposal). In particular, we have been requested to form a view as to whether the Conversion Proposal is fair and reasonable from the perspectives of:

- the B Class Shareholders
- the RMB Equity Holders.

Details of the Conversion Proposal are set out in Section 5 of this report and more fully in the RMB Equity Conversion Proposal Prospectus (the Prospectus). However, in summary:

- the debt owed by Australian Grain Storage Pty Ltd (AGS), a wholly owned subsidiary of SunRice, to the Rice Marketing Board (RMB) equates to an amount owed by RMB to RMB Equity Holders and is approximately $77.6 million
- the Conversion Proposal would occur by way of a 10 percent upfront payment of the amount owing (subject to discounting to reflect the time value of money) with the remaining 90 percent converted to B Class Shares on the basis of the notional return received over the period from the date of the Conversion Proposal to the original RMB Equity maturity date

In addition, and separate to the Conversion Proposal, B Class Shareholders are able to acquire further B Class Shares at $2.14 to maintain their relative ownership interest.

This report provides KPMG's opinion as to the merits or otherwise of the Conversion Proposal. This report should be considered in conjunction with and not independently of the information set out in the attached report.

2 Scope of Report

We understand that there is no statutory requirement for the Report. In this regard, we have adopted the guidance contained in Regulatory Guide (RG) 111 "Content of expert reports", issued by the Australian Securities and Investments Commission (ASIC) which indicates the principles and matters which it expects a person preparing an independent expert report to consider. In particular RG 111.4 notes that in deciding on the appropriate form of analysis for a report, "an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction".

In the present circumstances, RG 111.10 states that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.

In the context of the Conversion Proposal this concept is applicable as RMB Equity Holders receive B Class Shares on conversion of their RMB Equity.

2.1 Factors considered in forming our opinion

In forming our opinion we have considered, in particular, the following issues:

- the present value of the RMB Equity and the value of a SunRice B Class Share
- the advantages and disadvantages of the Conversion Proposal from the perspectives of the B Class Shareholders and the RMB Equity Holders
- the implications if the Conversion Proposal does not proceed
- the liquidity of the market in SunRice B Class Shares including restrictions on ownership and trading.

3 Summary of opinion

In our opinion, the Conversion Proposal:

- is fair and reasonable having regards to the interests of the B Class Shareholders
- is fair and reasonable having regards to the interests of the RMB Equity Holders.

In forming this opinion, we have considered a number of factors:

- based upon our analysis, the number of B Class Shares to be issued by SunRice (26,253,553 assuming 100 percent takeup of the Conversion Proposal) falls within a range (26.01 million to 26.56 million, once again assuming 100 percent takeup of the Conversion Proposal) which we consider to be fair from the perspective of both B Class Shareholders and RMB Equity Holders
- the 'fairness' of the Conversion Proposal does not diminish at takeup levels less than 100 percent
- through the conversion of fixed RMB Equity payments to equity and dividends:
  - there will be an improvement in SunRice's gearing as debt instruments are converted to equity
  - SunRice will have more cash, all else being equal, at any particular future RMB Equity payment date
  - SunRice will have more flexibility around its capital management activities
  - RMB Equity Holders will receive cash and B Class Shares at the date of implementation of the Conversion Proposal rather than cash at a future date, which in some cases would be several years in the future
- RMB Equity Holders will be entitled to receive dividends should they accept the Conversion Proposal whereas they currently do not receive any interest income on the outstanding RMB Equity
- SunRice B Class Shareholders that do not participate in the pro-rata B Class share issue will, depending upon acceptance levels, hold a significantly diluted shareholding
- although the number of B Class Shares may increase materially, the pool of eligible B Class Shareholders may not significantly expand under the Conversion Proposal and consequently the liquidity in the trading of B Class shares may not increase
- the increase in the number of B Class Shares on issue may result in future dividends being reduced if future earnings were to decline.
- the taxation event that would have ordinarily occurred upon the repayment of the RMB Equity may be brought forward. This may have significant financial implications for individual RMB Equity Holders
- RMB Equity Holders are being offered flexible consideration (B Class Shares and dividends) compared to a fixed cash payment upon maturity of the RMB Equity and their ability to convert B Class Shares into cash may be limited by illiquid trading.

4 Other matters

In forming our opinion, we have considered the interests of SunRice's B Class Shareholders as a whole and RMB Equity Holders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual B Class Shareholders or RMB Equity Holders. It is not practical or possible to assess the implications of the Conversion Proposal on individual B Class Shareholders or RMB Equity Holders as their financial circumstances are not known. The decision of RMB Equity Holders as to whether or not to accept the Conversion Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual B Class Shareholders or RMB Equity Holders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual B Class Shareholders or RMB Equity Holders including residents of foreign jurisdictions seek their own independent professional advice.

This report does not provide an opinion as to whether B Class shareholders or RMB Equity Holders should participate in the Conversion Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. In this regard we refer readers to the limitations and reliance on information section as set out in Section 1 of our report.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

This report should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Prospectus. KPMG consents to the inclusion of this report in the form and context in which it appears in the Prospectus.

Yours faithfully

Ian Jedlin
Executive Director

Michael D Jones
Director

Contents

Financial services guide

Dated 17 April 2009

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial services guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG, nor any of its executive directors, directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). Our executive directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposal

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001 or Toll free: 1300 78 08 08 or by Facsimile: (03) 9613 6399

Contact details
You may contact us using the contact details set out at the top of the letterhead on page 1 of this report.

5 The Conversion Proposal

SunRice has developed a proposal to enable RMB Equity Holders to convert all of their RMB Equity, regardless of the year in which it is payable, into a combination of cash and B Class Shares.

The Conversion Proposal would occur by way of a 10 percent upfront payment of the amount owing (discounted at a rate of 9 percent to reflect the time value of money) with the remaining 90 percent converted to B Class Shares on the basis of the notional return received over the period from the date of the Conversion Proposal to the original maturity date.

6 Scope of the report

6.1 Purpose

We understand that there is no statutory requirement for the Report. In this regard, we will follow the guidance contained in Regulatory Guide (RG) 111 "Content of expert reports", issued by the Australian Securities and Investments Commission (ASIC), indicates the principles and matters which it expects a person preparing an independent expert report to consider. In particular RG 111.4 notes that in deciding on the appropriate form of analysis for a report, "an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction".

In the present circumstances, RG 111.10 states that "an offer is 'fair' if the value of the offer price or consideration" (in this case being a combination of cash and B Class Shares) "is equal to or greater than the value of the securities the subject of the offer" (in this case the RMB Equity).

6.2 Basis of assessment

This report has been prepared by KPMG to accompany the Prospectus to be sent to SunRice B Class Shareholders and RMB Equity Holders in relation to the Conversion Proposal. The Prospectus contains details regarding the Conversion Proposal mechanism, including the RMB Equity consideration, the intended issue price of B Class shares, a timetable for the Conversion Proposal and the impact of the Conversion Proposal on the operations of SunRice.

In forming our opinion we have considered, in particular, the following issues:

- the present value of the RMB Equity and the value of a SunRice B Class Share in order to assess the fairness of the conversion price
- the advantages and disadvantages of the Conversion Proposal from the perspectives of the B Class Shareholders and the RMB Equity Holders
- the implications for SunRice if the Conversion Proposal does not proceed.

- The liquidity of the market in SunRice B Class Shares including restrictions on ownership and trading.

6.2.1 *Valuation approach*

Regulatory Guide 111.53 indicates that it is appropriate for an independent expert to consider the following valuation methods:

- the discounted cash flow method (DCF)
- the capitalisation of future maintainable earnings or cash flows (Capitalisation of earnings)
- the amount that would be distributed to shareholders in an orderly realisation of assets
- the amount which an alternative acquirer might be prepared to pay, or
- the most recent quoted price of listed securities.

Each of the above methodologies may be applicable in different circumstances. In selecting the appropriate methodology by which to value a SunRice B Class Share, we have considered which of these methodologies a potential purchaser would most likely adopt. A summary of each of the approaches considered in preparing this report is set out in Appendix 3.

Having regard to our statements above we consider it is appropriate to apply a capitalisation of earnings methodology when valuing the B Class Shares of SunRice.

6.3 *Limitations and reliance on information*

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of SunRice for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with SunRice management in relation to the nature of the SunRice business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG included budgeted financial information prepared by the management of SunRice. Whilst KPMG has considered this budgeted information in preparing this report, SunRice remains responsible for all aspects of this budgeted information. Achievement of budgeted results is not warranted or guaranteed by KPMG. Budgeted results are by their nature uncertain and are dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the budgeted/prospective results relied on by KPMG. Any variations from budgeted results may affect our valuation and opinion.

The opinion of KPMG is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG has had access to all financial information considered necessary in order to provide the required opinion. SunRice has requested KPMG limit the disclosure of some commercially sensitive information relating to SunRice and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising SunRice. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by SunRice.

7 Company overview

SunRice is a global food company involved in the sourcing, processing and distribution of rice food products to both domestic and international markets and operates facilities with the capacity to process and store approximately 1.2 million tonnes of paddy rice within Australia. Through its major brands, SunRice also markets and distributes an extensive range of table rice and processed rice products.

SunRice currently holds the “Sole and Exclusive Export Licence” issued by the RMB. This provides for exclusive export sale rights on all rice grown within the New South Wales (NSW) market until 2016. With approximately 98 percent of all Australian rice grown in NSW, this effectively provides a single export desk for SunRice.

SunRice listed on the National Stock Exchange of Australia (NSX) on 18 June 2007. SunRice previously operated under a co-operative structure since its inception in 1950 and following approval by members in 2005, registered as a corporation under the Corporations Act. Trading in SunRice’s B Class shares is on a restricted basis, with requirements that shareholders must also be rice growers, and shareholders are capped in their level of investment, specifically no B Class Shareholder may hold in excess of 5 percent of SunRice B Class Shares.

SunRice has experienced difficult trading conditions due to the current drought restricting domestic crop production growers and significant global volatility in commodity pricing

7.1 Key business segments

SunRice has the following operating segments:

Table 1: SunRice business segments

Business Segment	Summary	2008 revenue contribution
Rice Milling and Marketing	This business segment includes the main business operations of SunRice including SunRice and other brands, Australian Grain Storage and packaging plants. The areas of operation are principally the receival and storage of paddy rice, milling of rice, the manufacture and processing of rice and related products and the distribution of rice products	68.5%
Complementary businesses	This business segment includes International brands, as well as the Riviana Foods, Coprice, Rice flour, Rice cakes and specialty businesses. These businesses are involved in the distribution and marketing of rice and food products both within Australian and in international markets	31.5%

Source: SunRice 31 October 2008 Half year Accounts

7.2 Historical financial performance

SunRice's audited income statements for the years ended 30 April 2007 and 2008 and the half-year review income statement for period ended 31 October 2008 are set out in the table below.

Table 2: SunRice's income statements

For the period ending $m	**30 April 2007**	**30 April 2008**	**31 October 2008**
Revenue	738.1	710.5	457.3
Expenses	(671.8)	(648.0)	(354.0)
EBITDA[1]	**66.3**	**62.5**	**103.3**
Depreciation and amortisation	(20.4)	(22.8)	(11.2)
EBIT[2]	**45.9**	**39.7**	**92.1**
Interest Income/(Expense)	(23.3)	(20.3)	(10.3)
Foreign exchange gains	-	1.1	-
Net profit/(loss)	**22.6**	**20.5**	**81.8**
Tax expense	(7.8)	(5.5)	(21.9)
Profit/(loss) after tax	**14.8**	**15.0**	**59.9**
Minority interests	**(0.3)**	**(0.9)**	**(0.9)**
Attributable to members of SunRice	**14.5**	**14.1**	**59.0**
Financial ratios			
EBITDA margin	*9.0%*	*8.8%*	*22.6%*
EBIT margin	*6.2%*	*5.6%*	*20.2%*
Revenue growth		*-3.7%*	

Source: SunRice 30 April 2007 and 30 April 2008 Annual Accounts, SunRice 31 October 2008 Half year Accounts

In relation to the table above, we note:

- as a result of the continuing drought, paddy availability for the 2008 financial year was 167,000 tonnes as compared to 1,037,000 tonnes for the 2007 financial year
- the significant increase in profitability for the half year ended October 2008 is mainly due to higher selling prices being achieved and favourable prices on traded rice purchases
- for the year ended 30 April 2008, SunRice paid a dividend of 22.5 cents per share (totalling $7.7 million) as compared to 21.5 cents per share for the 2007 financial year (totalling $5.9 million)
- unweighted earnings per B Class Share (EPS) totalled 53 cents and 41 cents for the years ended 30 April 2007 and 2008 respectively

[1] Earnings before interest, tax, depreciation and amortisation.
[2] Earnings before interest and tax.

- unweighted EPS totalled 164 cents for the six months ended 31 October 2008.

7.3 *Cash flows*

SunRice's audited cash flow statements for the years ended 30 April 2007 and 2008 and the half year review cashflow for the period ended 31 October 2008 are set out in the table below.

Table 3: SunRice's cash flow statements

For the period ending $m	30 April 2007	30 April 2008	31 October 2008
Receipts from customers	769.6	715.4	429.6
Payments to suppliers	(445.6)	(515.1)	(337.0)
Payments to growers	(169.9)	(71.2)	(15.3)
Other operations	(90.8)	(88.0)	(44.9)
Investing activities	(13.9)	(11.4)	(12.5)
RMB equity redemptions	-	(9.9)	(10.0)
Dividends	(3.5)	(3.8)	(5.6)
Other financing activities	(45.4)	(3.7)	(14.3)
Increase in cash	**0.5**	**12.3**	**(10.0)**

Source: SunRice 30 April 2007 and 30 April 2008 Annual Accounts, SunRice 31 October 2008 Half year Accounts

In relation to the table above, we note 'Other operations' incorporates payments of interest and wages.

7.4 *Balance sheet*

SunRice's audited balance sheet as at 30 April 2008 and the half year review balance sheet as at 31 October 2008 are set out in the table below.

Table 4: SunRice's balance sheet

As at $m	30 April 2008	31 October 2008
Cash	13.5	10.2
Receivables	80.1	106.8
Inventories	230.8	242.5
Other	0.8	2.1
Total current assets	**325.2**	**361.6**
Plant, property and equipment	242.1	263.8
Investment properties	5.1	5.1
Investments accounted for using the equity method	5.7	1.3
Deferred tax assets	9.8	13.3
Intangible assets	7.5	12.0
Other	1.5	1.5
Total non-current assets	**271.7**	**296.7**
Total assets	**596.9**	**658.3**
Payables	83.8	71.9
Grower payables	14.4	1.7
Borrowings	190.4	148.6
Income tax payable	2.9	21.6
Provisions	8.8	8.8
Derivatives	0.3	1.5
Total current liabilities	**300.6**	**254.1**
Payables	79.2	65.3
Grower payables	1.2	-
Borrowings	77.1	114.7
Deferred tax and Provisions	6.0	11.2
Total non-current liabilities	**163.5**	**191.2**
Total liabilities	**464.1**	**445.3**
Net assets	**132.8**	**213.0**
Issued capital	54.2	58.1
Reserves	20.1	25.8
Minority interest	5.2	16.8
Retained earnings	53.3	112.3
Total equity/(accumulated losses)	**132.8**	**213.0**

Source: SunRice 30 April 2007 and 30 April 2008 Annual Accounts, SunRice 31 October 2008 Half year Accounts

In relation to the table above, we note:

- inventories principally comprise raw materials and finished goods at the lower of cost or net realisable value
- the significant components of property, plant and equipment are buildings, $143.4 million, and plant and equipment, $80.7 million at 30 April 2008
- at 30 April 2008, SunRice held two investment properties. The Griffith site was valued in April 2008 by a certified valuer (Hymans Valuers) at $4.3 million and the Yenda site has been under contract since April 2008 with the carrying value reflecting the contracted value
- payables incorporate the payments due to the RMB
- Sunrice's net tangible assets (NTA) as at 31 October 2008 approximated $5.58 per B Class Share.

7.5 *Debt*

SunRice's debt facilities as at 30 April 2008 and 31 October 2008 are set out in the table below.

Table 5: SunRice's debt (excluding payables due to RMB Equity Holders)

As at $m	30 April 2008	31 October 2008
Bank overdraft	0.8	7.5
Bank loans	180.9	129.7
Lease liability	0.1	0.2
Rice bonds	8.6	11.2
Total current	**190.4**	**148.6**
Bank loans	57.1	106.6
Lease liability	0.3	0.3
Rice bonds	19.7	7.8
Total non-current	**77.1**	**114.7**
Total	**267.5**	**263.3**
Bank loans comprise		
Core debt	83.2	139.8
Seasonal debt	124.3	66.1
Other debt	30.5	30.4
Total	**238.0**	**236.3**
Core debt to EBITDA	1.3	1.4
Seasonal debt to receivables and inventories	40.0%	18.9%

Source: *SunRice 30 April 2007 and 30 April 2008 Annual Accounts, SunRice 31 October 2008 Half year Accounts*

In relation to the table above, we note pursuant to SunRice's debt agreements:

- the ratio of core debt to EBITDA must not exceed 3.7 to 1
- seasonal debt not to exceed 75 percent of trade debtors and inventory
- seasonal debt not to exceed $350 million.

7.6 Capital structure

As at 31 March 2009, SunRice's issued capital comprised:

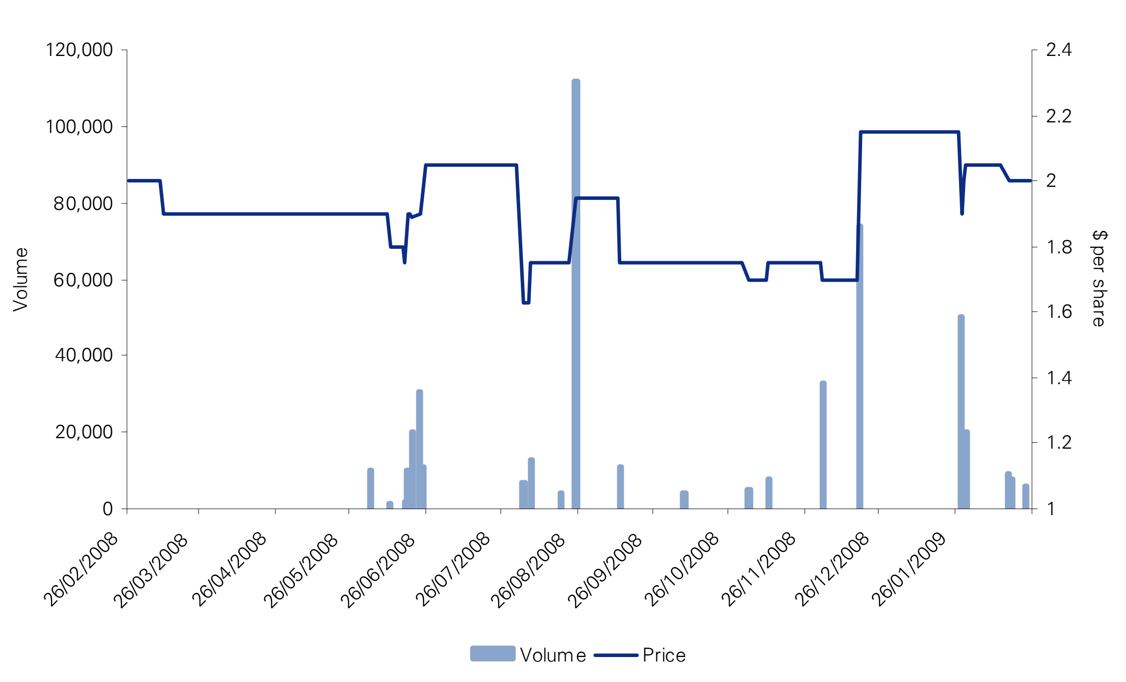
- 1,106 A Class shares (30 April 2008: 1,106)
- 35,992,886 B Class Shares (30 April 2008: 34,180,889).

In relation to the above:

- A Class shares are voting shares held by active growers only
- B Class Shares are non-voting shares with dividend rights.

The B Class Shares are listed on the NSX. Details of trading prices and volumes over the period 26 February 2008 to 25 February 2009 are summarised below:

Figure 6: Prices and volume of trading in B Class Shares



Source: IRESS

Since 26 February 2008 a total of 471,115 B Class Shares (or 1.3 percent of the total B Class Shares on issue) have been traded. Based upon the above, we are of the view that trading in the B Class Shares is illiquid. We also note:

- on 15 July 2008, 996,638 B Class Shares were issued pursuant to the dividend reinvestment program at a price of $2.14 per B Class Share

- on 31 July 2008, 815,359 B Class Shares were issued pursuant to a share issue offer at a price of $2.14 per B Class Share.

7.6.1 *Share capital*

SunRice's top 10 shareholders as at 31 March 2009 is set out in the table below.

Table 7: Major shareholders as at 31 March 2009

Shareholder	Total number of securities held	Percent of shares on issue
Burrabogie Pastoral Co Pty Ltd	1,799,643	5.00%
Menegazzo Enterprises pty Ltd	1,724,763	4.79%
GM Menegazzo & Co	1,005,741	2.79%
Twynam Pastoral Co pty Limited	553,589	1.54%
Taurian Pty Ltd	508,484	1.41%
Industry Designs	468,627	1.30%
RM & AM Brain	240,139	0.67%
P & V Salvestro	232,028	0.64%
GF & SB Lawson	222,853	0.62%
Rose Farming Enterprises	206,459	0.57%
Total shares held by top ten shareholders and associates	**6,962,326**	**19.34%**
Other shareholders	29,030,560	80.66%
Total shares on issue	**35,992,886**	**100.0%**

Source: Link Market Services, SunRice Management

Due to restrictions on the ownership levels of B Class Shares, no single shareholder and their associates own more than five percent of the outstanding B Class Shares of SunRice.

7.6.2 *Directors interest*

As at 31 March 2009, the directors of SunRice held the following securities (directly or indirectly).

Table 8: Directors' relevant interests in A Class and B Class shares at 31 March 2009

Name	Position	Number of shares
Gerry Lawson	Chairman	222,854
Mark Robertson	Deputy Chairman	131,317
Laurie Arthur	Director	140,197
Noel Graham	Director	71,277
Gary Helou	Chief Executive Officer	-
Russell Higgins	Director	-
Gillian Kirkup	Director	28,366
Grant Latta	Director	-
Norm McAllister	Director	2,774
Alan Walsh	Director	126,328
Total		**723,113**

Source: SunRice Management, SunRice 30 April 2008 Annual Accounts

In relation to the table above, we note:

- Laurie Arthur was appointed as a board member of SunRice on 24 August 2007
- Gary Helou, Russell Higgins and Grant Latta are current directors of SunRice but have no interests in either SunRice A Class or B Class Shares.

8 Mechanism for the Conversion Proposal

The Conversion Proposal involves an offer to RMB Equity Holders as follows:

- have 10 percent of the money payable to them over the period to 2016 (the final conversion date of all outstanding RMB Equity) paid in the first half of the financial year ending 30 April 2010 on a discounted basis (refer below)
- have the remaining 90 percent of the RMB Equity payable to them over the period to 2016 converted to B Class Shares.

The consideration determined by SunRice and receivable by the RMB Equity holders under the Conversion Proposal is a combination of the following:

- the aggregate amount owing to RMB Equity Holders
- the value of a B Class share, being $2.14
- a cash component
- the likely dividends to be paid by SunRice on the B Class Shares over the RMB Equity term. Based on historical dividend payments and anticipated future performance, SunRice has assumed the maintenance of the current annual dividend of $0.225 per share.

In determining the amount which is subject to a cash component, SunRice has discounted the future RMB Equity payments at a rate of 9 percent per annum to reflect the time value of money. This concept effectively states that a dollar received today is worth more to the receipient than a dollar received at a future date.

The equity consideration component has been discounted to reflect the value of a B Class Share and the anticipated dividend payments receivable should the RMB Equity Holder receive B Class Shares under the Conversion Proposal. Effectively, the discount reflects the relationship between the consideration B Class Shareholders would receive over the period from the date of the Conversion Proposal to the maturity date of their RMB Equity[3] and the current share price of $2.14[4]. It refers to the relationship

[3] Based upon the expected dividend of $0.225 per B Class Share.

between a share price of $2.14 and the ultimate return on the B Class Shares over the relevant time horizon. In particular:

- RMB Equity is not entitled to interest on the amount owing
- if converted early the RMB Equity will receive dividends on the B Class Shares that otherwise would not be received.

9 Outcome of the Conversion Proposal

The outcomes of the Conversion Proposal are, essentially, that SunRice will convert known fixed payments (being the amounts due to RMB Equity Holders) into investments which are subject to greater flexibility and risk (namely, shares and dividends).

Should the Conversion Proposal be accepted, the amount of cash to be paid to RMB bond holders is set out below:

Table 9: Cash payment

Maturity, 30 June $	Eligible Equity	Undiscounted cash component	Discounted cash payment at 10 percent take up	Discounted cash component at 100 percent take up
2009	14,553,522	1,455,352	145,535	1,455,352
2010[5]	9,195,180	919,518	84,359	843,594
2011	19,704,708	1,970,471	165,851	1,658,506
2012	13,758,851	1,375,885	106,244	1,062,436
2013	4,176,778	417,678	29,589	295,893
2014	5,234,201	523,420	34,019	340,187
2015	2,521,238	252,124	15,033	150,333
2016	8,495,123	849,512	46,471	464,712
Total	**77,639,601**	**7,763,960**	**627,101**	**6,271,013**

Source: SunRice

[4] As adopted by management of SunRice.
[5] Cash component payment on 100 percent take up calculated as undiscounted cash component of $919,518 multiplied by (1 – 9.0%) as per Table 8.

Further, the price at which the B Class Shares will be issued (depending upon the current maturity of the RMB Equity) has been determined by SunRice as follows:

Table 10: RMB discount

Maturity, 30 June $	Nominal share price	Cumulative dividend	Issue price
2009[6]	2.140	-	2.140
2010	2.140	0.225	2.365
2011	2.140	0.450	2.590
2012	2.140	0.675	2.815
2013	2.140	0.900	3.040
2014	2.140	1.125	3.265
2015	2.140	1.350	3.490
2016	2.140	1.575	3.715

Source: SunRice

Given the above issue prices, the shares to be issued under the Conversion Proposal are as follows:

Table 11: B Class Shares to be issued

Maturity, 30 June	10 percent Take up	100 percent Take up
2009	612,064	6,120,640
2010	349,922	3,499,223
2011	684,720	6,847,196
2012	439,892	4,398,922
2013	123,655	1,236,546
2014	144,281	1,442,812
2015	65,018	650,176
2016	205,804	2,058,038
Total	**2,625,356**	**26,253,553**

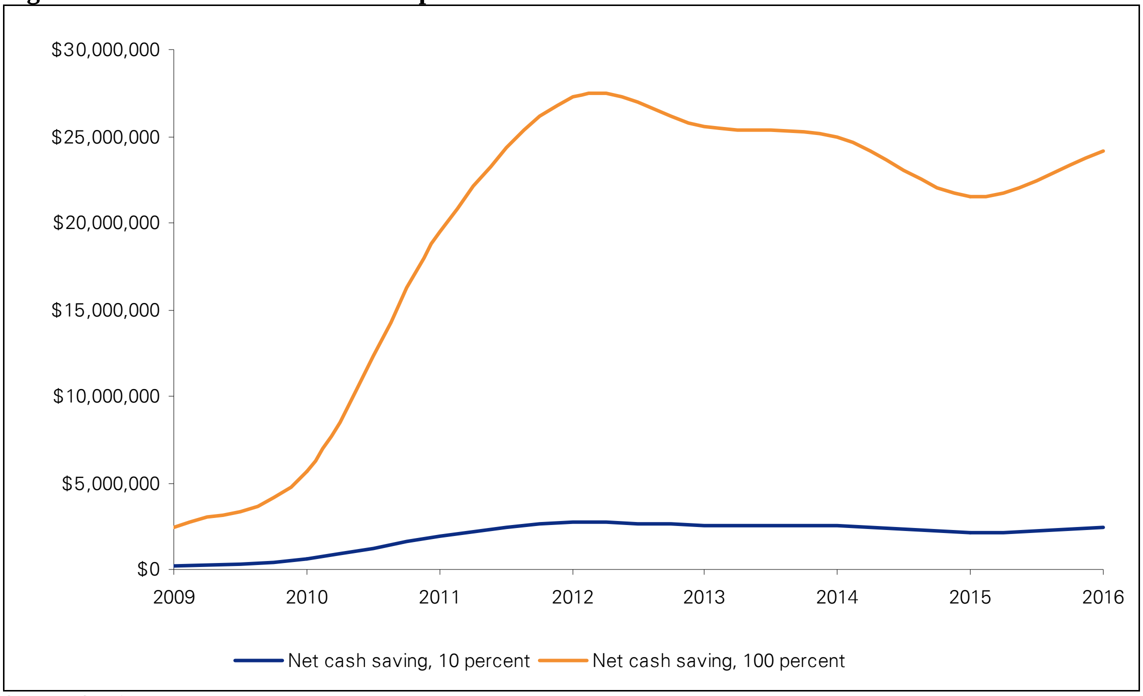
Source: SunRice

Based upon a dividend of $0.225 per B Class share, the implications for SunRice, should the Conversion Proposal proceed, will result in additional dividends. Based upon a 10 percent take up and a 100 percent take up, the dividends will comprise $0.59 million per annum and $5.9 million per annum respectively.

[6] Shares issued for 2009 maturity will participate in the 2009 dividend

Based upon the mechanism proposed by SunRice, all else being equal, SunRice's net cash position will be enhanced over the period to 2016 over what it would otherwise have been dependent on the level of participation by RMB Equity Holders. The cumulative enhancement at the 10 percent and 100 percent participation levels is set out below:

Figure 12: SunRice cumulative cash position



Source: SunRice Management

10 Analysis of the Conversion Proposal

10.1 Mechanism

The mechanism adopted by SunRice seeks to extinguish the liabilities attributable to the RMB Equity over the period to 2016 via a payment in 2009. It inherently recognises the time value of money and the income to be received by RMB Equity Holders in the form of dividends which they would not otherwise receive. We agree with this approach. In our opinion:

- the present value of the RMB Equity should be determined as at the date of the Conversion Proposal based upon rates of return applicable to unsecured debt with an equivalent duration (refer Section 10.2)

- any cash component should reflect the present value of the RMB Equity

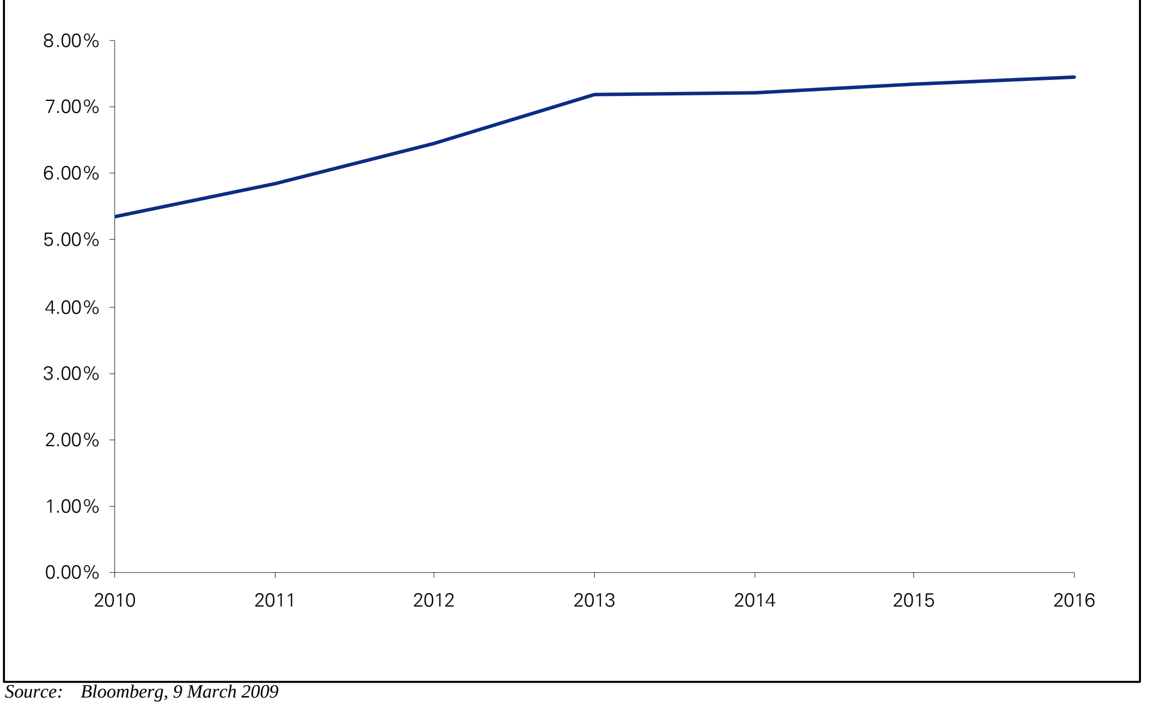
- the remaining balance should be converted to B Class Shares based upon the value of a B Class Share at the date of the implementation of the Conversion Proposal (refer Section 10.3)

10.2 Yield on RMB loan

The loan from the RMB to fund the storage assets is interest free and secured with a second ranking charge against these assets. The loan also reflects the amount owing from the RMB to the RMB Equity Holders. Interest is not payable on the RMB Equity, with RMB Equity Holders receiving a lump sum repayment upon maturity of the RMB Equity. This subordinated debt is similar in structure to a zero coupon bond.

We have determined the required return on RMB Equity by reference to the yield curve on BBB rated corporate debt within Australia over the RMB maturity period. This is set out below:

Figure 13: BBB corporate debt yield curve



Source: Bloomberg, 9 March 2009

In considering the above we note:

- SunRice does not have a credit rating
- the loan from the RMB to SunRice is secured via a second ranking charge
- the RMB Equity is unsecured.

As a result, an additional margin would be attributed to the subordinated debt of SunRice over the maturity period to reflect these factors. In this regard we note that the debt markets are currently quite volatile and the market for unsecured debt is illiquid. We consider an appropriate margin above the yields on BBB rated corporate debt of between 2 percent and 3 percent, yielding the following required returns:

Table 14: BBB corporate debt yield curve plus margin

Maturity, 30 June	BBB Corporate Rate	2 percent margin	3 percent margin
2010	5.35%	7.35%	8.35%
2011	5.84%	7.84%	8.84%
2012	6.45%	8.45%	9.45%
2013	7.18%	9.18%	10.18%
2014	7.22%	9.22%	10.22%
2015	7.34%	9.34%	10.34%
2016	7.44%	9.44%	10.44%

Source: KPMG Analysis, Bloomberg, 9 March 2009

We have also considered the required return on RMB Equity by applying a margin to the Bank Bill Swap Rate (BBSW). In this regard, the margin on BBB rated subordinated debt trading at 25 February 2009 ranges between 4.5 percent and 5.0 percent (Source: nabCapital) above the 90 day BBSW resulting in an all in yield of between 7.65 percent and 8.15 percent. Once again, for the reasons noted above, we are of the view that the required return on the RMB Equity should exceed these rates.

Based upon the above, we have calculated the present value of the loan from the RMB to AGS and the related RMB Equity to be between $61.9 million and $63.2 million.

10.3 *Price of a B Class Share*

The value of a B Class Share at the date of the implementation of the Conversion Proposal is an important consideration in the conversion of the RMB equity regardless of the methodology applied. We have chosen to consider the valuation of a B Class Share in the context of both current capital market conditions and circumstances specific to SunRice on the basis of a capitalisation of earnings approach which involves the capitalisation of a business' earnings at a multiple that reflects the risks of the business and the income stream that it generates. Application of this methodology requires the determination of the following factors:

- an appropriate measure of earnings
- an appropriate range of capitalisation multiples
- the level of existing debt within the business
- the determination of the value of any surplus assets.

We believe the following points are pertinent in applying this approach:

- the operations of SunRice, along with other Australian agricultural and food processing companies are inextricably linked to two major external factors, being domestic production levels and volatility in commodity prices. These movements have resulted in an underlying volatility in the earnings profile and margins of both SunRice and it's Australian industry peers. We note that these higher levels of volatility often result in increased uncertainty as to cash flow and earnings forecasts

- there are a number of comparable agricultural and food processing companies operating in Australia and internationally as well as transactions involving companies with broadly similar business models and risks to that of SunRice.

In December 2008, SunRice noted:

- profit before income tax for the six months ended 31 October 2008 was $81.8 million compared to $9.7 million for the six months ended 31 October 2007

- in line with contractions in global demand, softening commodity prices and the continuing impact of the drought, second half earnings are expected to be more in line with historical results.

10.3.1 Indication of maintainable earnings

Having regard to the above comments we are of the opinion that the normalised results for the year ended 30 April 2008 of $72.5 million would form a reasonable basis for the determination of Sunrice's ongoing earnings, calculated as follows:

Table 15: Normalised EBITDA

	$ million
EBITDA per financial statements	62.5
Add:	
Redundancy costs	9.0
Other[1]	1.0
Normalised EBITDA	**72.5**

Source: KPMG Analysis
[1] Includes the impact of one-off costs and the tax affect of profits on Associates

10.3.2 EBITDA multiple

In considering an appropriate EBITDA multiple to adopt for the operations of Sunrice (before the consideration of any discounts applicable to B Class Shares), we note:

- SunRice has in recent years derived the majority of its revenues from the processing and manufacturing of rice products. SunRice has a significant presence in both domestic and international markets and is exposed to the impact of movements in global agricultural commodity prices through sourcing paddy rice from international markets

- the Australian agricultural market is at an advanced stage with unregulated markets and leading growers who supply significant crop quantities into domestic and international markets. Agricultural companies within Australia operate under a similar structure to that of SunRice, sourcing the base agricultural commodity, manufacturing and processing the commodity and marketing that commodity in various forms to both domestic and international markets

- SunRice has had a successful expansion into international markets with approximately 80 percent of processed rice exported to these markets in a 'normal Australian rice crop' year

We have considered an appropriate EBITDA multiple in the context of:

- Australian agricultural companies

- food processing companies

- international rice processing companies

A summary of the historical and forecast EBITDA trading multiples for the companies we consider to be comparable to SunRice is set out in the table below. Whilst these companies have been used for comparative purposes, we note that the Australian comparables do not match the operations of SunRice as they handle and process different agricultural commodities or provide food processing services for the wider market. Furthermore, these companies are different in terms of their size, ownership structure, their target markets both domestically and internationally, and the competitive and regulatory environment of the market in which they operate.

In regards to the international comparables, we note that they are all directly involved in the processing and manufacturing of table rice or value added rice products. While the operations of SunRice are similar to the operations of these international comparables, we note that differences exist in that SunRice operates in a deregulated domestic market, does not receive government subsidies or grants and exports the majority of production.

Details of each of these companies are contained in Appendix 4.

Table 16: SunRice Australian comparable company trading multiples

Company	Market Capitalisation (AUD $000)	EBITDA multiple (x) 2008	2009 F
Agricultural			
ABB Grain Limited	993,599	9.7	8.1
AWB Limited (AWB)	268,989	31.4	19.7
Costaexchange Limited	127,351	7.2	n/a
Farm Pride Foods Limited	11,036	1.9	n/a
GrainCorp Limited	341,022	16.1	7.3
Maryborough Sugar Factory Limited (MSF)	70,438	27.0	n/a
Namoi Cotton Co-Operative Limited	37,012	5.4	n/a
Select Harvests Limited	120,806	4.6	n/a
Agricultural mean	**246,282**	**12.9**	**11.7**
Agricultural median	**124,079**	**8.4**	**8.1**
Food Processing			
Buderim Ginger Limited	13,739	7.4	n/a
FFI Holdings Limited	16,042	9.5	n/a
Goodman Fielder Limited	1,325,000	7.6	6.4
Patties Foods Limited	80,503	5.9	n/a
Food Processing mean	**358,821**	**7.6**	**6.4**
Food Processing median	**48,273**	**7.5**	**6.4**
Total Mean	**283,795**	**11.1**	**10.4**
Total Median	**100,655**	**7.5**	**7.7**

Source: Latest annual reports, financial reports, Bloomberg and OneSource
Market capitalisation as at 4 March 2009
2008 reflects 12 month period to latest financials for each company

Table 17: SunRice international comparable company trading multiples

Company	Market Capitalisation (USD $000)	EBITDA multiple (x) 2008	2009 F
Rice processing and manufacturing			
Chaman Lal Setia Exports Limited	2,152	5.0	n/a
KRBL Limited	24,571	5.5	n/a
Patum Rice Mill & Granary PCL	66,529	8.1	n/a
REI Agro Limited	240,348	10.0	n/a
Sato Foods Company Limited (Sato)	56,316	9.9	n/a
Total mean	**77,983**	**7.7**	n/a
Total median	**56,316**	**8.1**	n/a

Source: Latest annual reports, financial reports, Bloomberg and OneSource
Market capitalisation as at 4 March 2009
2008 reflects 12 month period to latest financials for each company

In relation to the above comparable company trading multiples, it is noted:

- AWB has a highly geared capital structure that differs substantially from the average capital structure of industry peers. This has resulted in EBITDA multiples for 2008 and 2009 being significantly above the industry average. We also note that AWB has a 2008 EBITDA margin of 1.9 percent that is below the EBITDA margin median of the above Australian comparable companies of 8.3 percent. As a result of these factors, we believe that the high EBITDA multiple of AWB is reflective of high gearing levels and expectations of an improvement in operating performance

- MSF is currently trading at a multiple of 27.8 times, which is higher than the industry average. We note that the presence of an active hedge fund with a substantial holding on their share register may be contributing to a higher market capitalisation and resultantly, an implied higher EBITDA multiple compared to the industry average

We note that the median EBITDA multiple of the above Australian comparables for 2008 is 7.5 times and for the forecast 2009 period is 7.7 times. We note that the median EBITDA multiple of the above international comparables for 2008 is 8.1 times. The EBITDA multiple implicit in the issue price of B Class Shares of $2.14 (being 5.9 times) implies a discount on the median EBITDA multiples of the above comparable companies in the vicinity of 20 percent to 30 percent

We have also considered comparable transactions in our analysis as outlined in Appendix 5. We note that the median EBITDA multiple as a result of this analysis is 11.3 times, which includes a premium for control.

Having regard to the analysis above, we are of the opinion that an EBITDA multiple in the range of 6.5 to 7.0 is appropriate to apply to the operations of Sunrice.

10.3.3 Applicable discounts

In contrast to the comparable companies, there are a number of factors pertaining to Sunrice's B Class Shares which may impinge upon their value. Factors that we believe are pertinent in considering this are set out below.

- SunRice operates under a dual-class structure. This dual-class structure includes A Class Shares, which include the right to vote but not to receive dividends, and B Class Shares, which have the right to receive dividends but not the right to vote. The voting rights attached to A Class Shares allow A Class Shareholders solely to vote for the Board of Directors who guide the future strategy and operations of SunRice.

- The directors of SunRice have the ability to issue A Class Shares, and the A Class Shareholders alone have the right to elect the directors. As such, control of SunRice is tightly held by a small number of A Class Shareholders. The implications that flow from this control of SunRice are:
  - SunRice may have restricted access to capital
  - the value of SunRice's B Class Shares will not incorporate any value pertaining to any ability to influence the operations of the business that may be incorporated into the share price of other listed corporations with a single share class structure
- The B Class Shares of SunRice trade on the NSX, allowing for the transfer of share ownership among growers. However, restrictions over the trading of these shares may reduce their implied value. These are as follows:
  - the trading of B Class Shares is restricted to existing B Class Shareholders and rice growers. As there exists a limited pool of investors, trading is conducted infrequently at low volumes
  - restrictions cap the number of shares any one B Class Shareholder can hold. The constitution currently limits any single shareholding to 5 percent of the total outstanding B Class Shares
- Trading of B Class Shares on the NSX is illiquid, all else being equal a marketable interest is worth more than a non-marketable but otherwise identical interest.

The implications for value as a result of the factors noted above is that SunRice B Class Shares are unlikely to trade at similar EBITDA multiples to those of either its domestic or international peers.

It is difficult to quantify the exact extent of any discount which should be applied to the B Class Shares. In particular we are not aware of any studies based upon objective market evidence which examine the potential size of a discount for illiquidity: However, a number of studies have considered the discounts at which private sales of unregistered or restricted shares of common stock have occurred relative to the market prices of publicly traded counterpart securities[7]. In this regard:

- nine studies were undertaken in the late 1960s and early 1970s
- six studies reported median discounts of between 24 percent and 45 percent
- seven studies reported average discounts of between 23 percent and 35 percent
- a more recent study covering 49 transactions over the period 1980 to 1995 indicates an average discount of 28 percent (ranging from 0 percent to 58 percent).

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[7] All of these studies have been undertaken in the United States of America.

These studies indicate quite a wide range of discounts. However, in our opinion, given the breadth of the studies we have considered, we do not believe that the discount to be applied to the B Class Shares should be skewed towards either the upper or lower bound of the ranges set out above. In this regard, we have adopted a discount of 40 percent to reflect the factors identified as pertinent in valuing a B Class Share.

10.3.4 *Opinion as to value*

Based on the factors outlined above, including the ongoing EBITDA of Sunrice, EBITDA multiples of the comparable companies and comparable transactions, and a discount for marketability implied by the academic literature, we are of the view that it would not be unreasonable to value a B Class Share, excluding a premium for control, in the range of $2.07 to $2.67, calculated as follows:

Table 18: Valuation of B Class Share

Description	$000s Low	$000s High
Normalised EBITDA ($'000)	72,539	72,539
EBITDA multiple	6.5	7.0
Enterprise value ($'000)	471,504	507,773
Outstanding net debt (including payables to RMB) ($'000)	(330,783)	(330,783)
Minority Interest ($'000)	(16,800)	(16,800)
Unrestricted equity value ($'000)	**123,941**	**160,210**
Applicable discount (%)	40	40
Restricted equity value ($'000)	**74,364**	**96,125**
B Class Shares outstanding ('000)	35,992.9	35,992.9
Value per B Class Share ($)	**2.07**	**2.67**

Source: SunRice, SunRice 30 April 2008 Annual Accounts, SunRice 31 October 2008 Half year Accounts
Note: Outstanding net debt has been calculated from SunRice 31 October 2008 Half year Accounts
Normalised EBITDA has been calculated from SunRice 30 April 2008 Annual accounts and have been normalised for the affect of one off revenue items and restructuring expenditure

As noted in section 7 of this report, as at 31 October 2008 Sunrice's NTA approximated $5.58 per B Class Share. Further, as noted above, the values set out in Table 18 reflect the value of a single B Class Share. That is, they do not incorporate a premium for control associated with the ability to control the operations and cash flows of Sunrice. Accordingly, the values set out in Table 18 do not reflect our view of the value at which control of Sunrice would change hands.

11 Opinion on Conversion Proposal

We have considered the impact of the Conversion Proposal on B Class Shareholders and RMB Equity Holders respectively. In arriving at our opinion, we have considered the following factors:

- the present value of the RMB Equity and the value of a SunRice B Class Share
- the advantages and disadvantages of the Conversion Proposal from the perspectives of the B Class Shareholders and the RMB Equity Holders
- the implications for SunRice if the Conversion Proposal does not proceed.

- the liquidity of the market in SunRice B Class Shares including restrictions on ownership and trading.

11.1 *Factors impacting upon 'fairness'*

In section 10, we concluded that the present value of the RMB Equity was between $61.9 million and $63.2 million and that $2.14 is within a range of values which are appropriate for a B Class Share.

Table 19: Analysis of Conversion Proposal

$000	2 percent margin		3 percent margin	
Take up rate	10 percent	100 percent	10 percent	100 percent
Face value of RMB Equity	7,764	77,640	7,764	77,640
Present value of RMB Equity	6,315	63,150	6,186	61,856
Cash payment	632	6,315	619	6,186
Balance	5,683	56,835	5,567	55,670
Value per B Class Share	$2.07	$2.07	$2.07	$2.07
B Class Shares issued ('000)	2,751	27,509	2,694	26,945
Value per B Class Share	$2.67	$2.67	$2.67	$2.67
B Class Shares issued ('000)	2,128	21,281	2,084	20,845

Source: KPMG Analysis
Note: The margin of 2 percent and 3 percent has been drawn from the analysis in Section 10.2 and relates to the implied margin above BBB rated corporate bonds

We summarise below our analysis in conjunction with the outcome of the Conversion Proposal

Table 20: Analysis of Conversion Proposal

	10 percent take up			100 percent take up		
	Low	High	Conversion Proposal	Low	High	Conversion Proposal
Cash payment ($000)	619	632	627	6,186	6,315	6,271
B Class Shares issued ('000)	2,084	2,751	2,625	20,845	27,509	26,254

Source: KPMG Analysis

After considering the above, as the cash and B Class Share amounts fall within the ranges we have calculated in Table 18, we consider the Conversion Proposal fair from both the perspective of B Class Shareholders and the RMB Equity Holders.

11.2 *Factors impacting 'reasonableness' for B Class Shareholders*

We have considered the following as potential advantages to the B Class Shareholders as a consequence of the implementation of the Conversion Proposal:

- overall, SunRice will accumulate greater levels of cash than would otherwise be the case. This will arise as the transfer of RMB Equity into B Class shares will result in lower cash outflows to repay the RMB Equity upon maturity, less the increased level of dividend payments that will arise upon the issuance of a greater number of B Class shares

- SunRice will have lower debt levels which may provide greater flexibility around future refinancing

- B Class Shareholders are being offered a pro-rata opportunity to obtain further B Class shares to ensure that their existing holdings are not diluted

Countering the above, implementation of the Conversion Proposal could result in the following adverse consequences for B Class Shareholders in certain circumstances:

- SunRice B Class Shareholders that do not participate in the pro-rata B Class share issue will, depending upon acceptance levels, hold a significantly diluted shareholding

- although the number of B Class Shares may increase materially, the pool of eligible B Class Shareholders may not significantly expand under the Conversion Proposal and consequently the liquidity in the trading of B Class shares may not increase

- the increase in the number of B Class Shares on issue may result in future dividend levels being reduced if future earnings were to decline.

11.3 Factors impacting 'reasonableness' for RMB Equity

We have considered the following as potential advantages to the RMB Equity Holders as a consequence of the implementation of the Conversion Proposal:

- RMB Equity Holders will be entitled to receive dividends should they accept the Conversion Proposal whereas they will not receive any interest income on the outstanding RMB Equity

- RMB Equity Holders will be in a position to receive cash earlier than their RMB Equity maturity date and have an opportunity to convert any B Class Shares received into cash via the NSX

- RMB Equity Holders will receive certainty around the payment date of the RMB Equity. Under the rules of the Capital Equity Rollover Scheme, the Board, at their discretion may resolve to redeem any equity certificate at a later time than the RMB Equity maturity date.

Countering the above, implementation of the Conversion Proposal could result in the following adverse consequences for RMB Equity Holders in certain circumstances:

- the taxation event that would have ordinarily occurred upon the repayment of the RMB Equity may be brought forward. This may have significant financial implications for individual RMB Equity Holders

- RMB Equity Holders are being offered flexible consideration (B Class Shares and dividends) compared to a fixed cash payment upon maturity of the RMB Equity and their ability to convert B Class Shares into cash may be limited by illiquid trading on the NSX.

11.4 Implications should the transaction not proceed

Should the Conversion Proposal not proceed, all else being equal, the following will occur:

- SunRice will continue trading in its current form with no changes to its operations
- SunRice will repay the loan to RMB who will in turn pay the outstanding RMB Equity upon maturity
- SunRice's need for capital to finance its operations will remain unchanged
- if the current uncertainty in credit markets does not subside, there may be increased uncertainty surrounding refinancing events in the future due to the presence of RMB Equity on the balance sheet.

11.5 Opinion

Having regard to the above, we have formed the opinion that the Conversion Proposal:

- is fair and reasonable having regards to the interests of the B Class Shareholders
- is fair and reasonable having regards to the interests of the RMB Equity Holders.

Appendix 1 – KPMG Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG are Ian Jedlin and Michael Jones. Each has a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG's opinion as to whether the Conversion Proposal is fair and reasonable to SunRice's B Class Shareholders and RMB Equity Holders. KPMG expressly disclaims any liability to any SunRice B Class Shareholder and RMB Equity Holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG nor the KPMG Partnership has been involved in the preparation of the Prospectus or any other document prepared in respect of the Conversion Proposal. Accordingly, we take no responsibility for the content of the Prospectus as a whole or other documents prepared in respect of the Conversion Proposal.

Independence

KPMG is entitled to receive a fee for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Further, employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in SunRice. However, no individual involved in the preparation of this report, or review thereof, holds a material direct interest in the securities of SunRice. With the exception of these matters, neither KPMG or the KPMG Partnership will receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

During the course of this engagement, KPMG provided draft copies of this report to management of SunRice for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone. Changes made to this report as a result of these reviews have not changed the opinions reached by KPMG.

Finally, we note that in February 2009, KPMG provided advice to SunRice as to whether, under section 260A of the Act, the giving financial assistance by AGS and SunRice to Eligible Holders to subscribe for B Class Shares does not materially prejudice the interests of SunRice or its shareholders or SunRice's ability to pay its creditors.

Consent

KPMG consents to the inclusion of this report in the form and context in which it is included with the Prospectus to be issued to the B Class Shareholders and RMB Equity Holders of SunRice. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG as to the form and context in which it appears.

Indemnity

SunRice has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by you of your obligations.

SunRice has also agreed that KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by you or any of your representatives, which is false, misleading or incomplete. SunRice has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to you or any third party as a result of reliance by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by you or any of your representatives, which is false, misleading or incomplete.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Constitution of Ricegrowers Limited
- SunRice 30 April 2007 and 30 April 2008 Annual Report
- SunRice Interim Financial Report for the half year ended 31 October 2008
- Ricegrowers Limited Prospectus, for the issue of B Class Shares to existing SunRice Shareholders, 13 June 2008
- Ricegrowers Limited Prospectus, for the issue of B Class Shares to existing SunRice Shareholders, 8 October 2007
- SunRice Update, "A letter from our Chairman", December 2008, Number 70
- SunRice, "An established Aussie exporter", ABN Amro Morgans, 14 June 2007
- Financial information from Bloomberg, IRESS, Thomson SDC, Zephyr and OneSource.

Non-public information

- Discussion paper, Conversion of RMB Equity to SunRice B Class Shares
- Conversion of RMB Equity Certificates for Shares in Ricegrowers Limited , Précis – Application for class ruling to be submitted to the Australian Taxation Office, Draft
- Capital equity Rollover Scheme Rules
- C2008 Forecast Discussion, Nov 2008
- Memorandum to Ricegrowers Limited Board, "Conversion of RMB Equity", 23 January 2009
- Chief Executive's Reports, Finance Report – 26 February 2009
- DibbsBarker, Implementation Agreement, Ricegrowers Limited , Australian Grain Storage Pty Limited, The Rice Marketing Board for the State of New South Wales
- Link Market Services, Top Holders Report, 31 March 2009
- nabCapital, Fixed Interest Rate Sheet, 25 February 2009

In addition, we have had discussions with management of SunRice.

Appendix 3 – Overview of valuation methodologies

Capitalisation of Earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), Earnings Before Interest and Taxation (EBIT) and Net Profit After Taxation (NPAT).

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of continued development or when significant changes occur in the operating environment and when the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect multiples reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100 percent) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Net assets or cost based methodology

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the "book" net asset value, to give a P/BV, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (eg. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (eg. through measures such as levels of tangible asset backing).

Discounted cash flow methodology

Value is future oriented and accordingly the theoretically correct manner to assess value is to consider future earnings potential of a business. Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date and added to the net present value of the cash flow stream to give an overall value for the business.

In a DCF valuation, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

Discount rate

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate typically employed is the Weighted Average Cost of Capital of the business, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an enterprise value for the business. Alternatively, in certain circumstances, it is more appropriate to apply an equity approach, which takes the business' cost of equity and applies it to leveraged cash flows to determine an equity value for the business.

Terminal value

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. The "constant growth model", which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity, is a common method. The terminal value calculation should be cross-checked for reasonableness against implied exit multiples.

Industry specific methodology

Depending on the industry in which the business operates, an industry specific approach may be appropriate in assessing value. Industry specific methodologies typically involve the application of a 'rule of thumb', which is accepted within the industry as an appropriate basis for benchmarking value.

Industry specific methodologies typically involve the application of a multiplier to an operating metric such as revenue, customer numbers or funds under management.

The multiplier applied is determined with reference to common perception in the market, which is supported through empirical evidence from recently completed transactions.

An industry specific methodology is most appropriate as a cross-check of the value determined by applying one of the above methodologies as a primary methodology.

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. Revenue, EBITDA, EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. Net Profit after Taxation) or free cash flow, post debt servicing.

Appendix 4 – Comparable companies

Table 21: Australian comparable companies

Company	Currency	Market Capitalisation	EBITDA margin 2008	EBITDA margin 2009F	EBITDA multiple 2008	EBITDA multiple 2009F	Gearing
Agricultural							
ABB Grain Limited	AUD $000	993,599	6.2%	7.2%	9.7	8.1	36.4%
AWB Limited	AUD $000	268,989	1.9%	3.3%	31.4	19.7	1339.0%
Costaexchange Limited	AUD $000	127,351	8.8%	n/a	7.2	n/a	79.6%
Farm Pride Foods Limited	AUD $000	11,036	15.9%	n/a	1.9	n/a	181.7%
GrainCorp Limited	AUD $000	341,022	3.2%	6.9%	16.1	7.3	130.3%
Maryborough Sugar Factory Limited	AUD $000	70,438	4.4%	n/a	27.0	n/a	67.4%
Namoi Cotton Co-Operative Limited	AUD $000	37,012	10.3%	n/a	5.4	n/a	274.4%
Select Harvests Limited	AUD $000	120,806	16.3%	n/a	4.6	n/a	48.9%
Agricultural mean		**246,282**	**8.4%**	**5.8%**	**12.9**	**11.7**	**269.7%**
Agricultural median		**124,079**	**7.5%**	**6.9%**	**8.4**	**8.1**	**105.0%**
Food Processing							
Buderim Ginger Limited	AUD $000	13,739	7.5%	n/a	7.4	n/a	197.5%
FFI Holdings Limited	AUD $000	16,042	7.8%	n/a	9.5	n/a	14.1%
Goodman Fielder Limited	AUD $000	1,325,000	11.3%	13.0%	7.6	6.4	83.3%
Patties Foods Limited	AUD $000	80,503	15.8%	n/a	5.9	n/a	95.6%
Food Processing mean		**358,821**	**10.6%**	**13.0%**	**7.6**	**6.4**	**97.6%**
Food Processing median		**48,273**	**9.6%**	**13.0%**	**7.5**	**6.4**	**89.4%**
Total Mean		**283,795**	**9.1%**	**7.6%**	**11.1**	**10.4**	**212.3%**
Total Median		**100,655**	**8.3%**	**7.1%**	**7.5**	**7.7**	**89.4%**

Source: Latest annual reports, financial reports, Bloomberg and OneSource
Market capitalisation as at 4 March 2009
2008 reflects 12 month period to latest financials for each company

Table 22: International comparable companies

		Market	EBITDA margin		EBITDA multiple		
Company	**Currency**	**Capitalisation**	**2008**	**2009F**	**2008**	**2009F**	**Gearing**
Rice processing and manufacturing							
Chaman Lal Setia Exports Limited	USD $000	2,152	8.8%	n/a	5.0	n/a	520.5%
KRBL Limited	USD $000	24,571	15.0%	n/a	5.5	n/a	737.0%
Patum Rice Mill & Granary PCL	USD $000	66,529	16.4%	n/a	8.1	n/a	32.0%
REI Agro Limited	USD $000	240,348	17.7%	n/a	10.0	n/a	239.1%
Sato Foods Company Limited	USD $000	56,316	5.2%	n/a	9.9	n/a	193.4%
Total mean		**77,983**	**12.6%**	**n/a**	**7.7**	**n/a**	**344.4%**
Total median		**56,316**	**15.0%**	**n/a**	**8.1**	**n/a**	**239.1%**

Source: Latest annual reports, financial reports, Bloomberg and OneSource
Market capitalisation as at 4 March 2009
2008 reflects 12 month period to latest financials for each company

Australian Agricultural Comparable Companies

ABB Grain Limited

ABB Grain Limited (ABB) is an Australian agribusiness that is involved in the production and marketing of grain and other agricultural commodities. ABB's primary activity is sourcing and marketing Australian grain. ABB also provides agribusiness products to rural customers, organises the supply chain operations for a number of commodities and operates a malting division which is one of the world's largest producers of malt.

AWB Limited

AWB Limited (AWB) is an Australia-based agribusiness focused on providing a range of agricultural services. Through its core businesses; Rural Services, Financial Services and Commodity Management, AWB offers services such as farming, fertiliser, insurance and financial solutions to customers located in India, Brazil, Switzerland, Singapore, Japan and China. AWB also engages in commodity trading, risk management, logistics and chartering.

Costaexchange Limited

Costaexchange Limited (Costaexchange) is a producer and distributor of horticultural produce. Through its Agribusiness division, it supplies domestic and export markets with blueberries, mushrooms and citrus fruits. It also operates a Trading division which markets and trades fresh fruit and vegetables in the major cities across Australia and manages warehousing and ripening facilities.

Farm Pride Foods Limited

Farm Pride Foods Limited (Farm Pride) is a processor and distributor of shell eggs and other egg products to customers within Australia and Asia. Farm Pride grades, packs and markets a wide variety of shell eggs including cage, free range, barn laid, organic, omega3 and multi-grain. Farm Pride also operates an egg processing plant where it manufactures egg products such as egg white products, egg yolk products, whole egg products and cooked egg products.

GrainCorp Limited

GrainCorp Limited (GrainCorp) specialises in providing a range of services to the Australian grain growing industry. These services include handling and storage, grain marketing and the provision of financing, transport and merchandise. GrainCorp operates over 250 grain accumulation sites and 9 port terminals which receive, store and export grain for growers in Queensland, Victoria and New South Wales. It services approximately 50 domestic and export grain buyers including the Australian Wheat Board. GrainCorp also engages in trading grains, oilseeds and wool offing cash prices, forward prices and pools.

Maryborough Sugar Factory Limited

Maryborough Sugar Factory Limited (MSF) is a Queensland-based grower and manufacturer of sugar cane. MSF harvests sugar cane from company farms and farms that it has leased to other farmers. It then mills and processes the sugar cane and sells it, through Queensland Sugar Limited, to both domestic and overseas markets. MSF also produces and sells molasses as the by-product of the sugar manufacturing process.

Namoi Cotton Co-Operative Limited

Namoi Cotton Co-Operative Limited (Namoi Cotton) is Australian's leading cotton ginning and marketing organisation and sells cotton to major global cotton processing markets. Namoi Cotton has a large network of ginning, marketing, warehousing and shipping operations in the cotton growing regions of New South Wales and Southern Queensland.

Select Harvests Limited

Select Harvests Limited (Select) is Australia's largest almond grower and is engaged in the manufacturing, distribution and marketing of almonds. Select manages 60 percent of Australia's almond orchards either for its own operations or on behalf of external investors. It operates in domestic and export markets supplying packaged nuts and dried fruit products to retail customers and nut-based ingredients to food manufacturers and distributors.

Australian Food Processing Comparable Companies

Buderim Ginger Limited

Buderim Ginger Limited (Buderim) specialises in the production and marketing of a variety of ginger-based products. Buderim manufactures confectionary ginger and other ginger-based products for the food service industry in domestic and export markets. Buderim also conducts baking operations which produce savoury pastry products and chilled meals under the brands I Spy Pies and Aldente Foods.

F.F.I. Holdings Limited

FFI Holdings Limited (FFI) is a food processing company that produces a large range of food products for both retail and wholesale customers. FFI's retail products include chocolates, fruit and nuts snacks and confectionary. It also manufactures wholesale fresh sausages, bacon and other processed meats and produces a number of products for the bakery and pastry cooks industries. FFI also owns approximately 67,000 square metres of commercial land which is held for investment purposes.

Goodman Fielder Limited

Goodman Fielder Limited (Goodman) is a large supplier of food and cooking products to Australian and New Zealand retail grocery stores and the commercial and food service sectors. Goodman operates approximately 60 plants and its key products include breads, baking ingredients, deserts, spreads and oils, dressings, dips and cookery books. Goodman markets its products under many well-known brands including Paul Newman's Own, Praise, White Wings, Meadow Lea, Mighty Soft and Copperpot Dips.

Patties Food Limited

Patties Food Limited (Patties) is a manufacturer, supplier and marketer of frozen savoury and desert products. Patties' range of savoury products includes single serve and family pies, sausage rolls, pasties and party foods which it distributes under the brands Four'N Twenty, Patties, Herbert Adams and Snowy River. Patties' desert products include pies, waffles, cheesecakes and fruit crumbles and are distributed under the Nanna's brand.

International Comparable Companies

Chaman Lal Setia Exports Limited

Chaman Lal Setia Exports Limited (Chaman) is an India-based processor of basmati rice that supplies domestic and export markets. Chaman operates two milling plants which have a processing capacity of greater than 50,000 metric tons per annum. Chaman's key products include quick cooking raw biryani rice, normal parboiled rice, disinfested brown rice, pesticide residue free aged basmati rice and rice for people with diabetes. Chaman has also developed two new qualities of rice, Smoked Basmati Rice and Cardamom Flavor Rice, which have helped Chaman create a niche for its quality in the Middle East and Europe.

Khushi Ram Behari Lal Limited

KRBL Limited (KRBL) is India's largest exporter of basmati rice. KRBL operates a large rice manufacturing plant and sell its rice under a variety of brands including India Gate Classic, Doon, Nur Jahan, Bemisal and Lotus. KRBL also exports other commodities such as pulses, seed, wheat, bran and bran oil and generates power from a wind turbine and husk-based power plant.

Patum Rice Mill & Granary Public Company Limited

Patum Rice Mill & Granary Public Company Limited (Patum) is a Thailand-based food processing company. Patum is primarily engaged in the production and distribution of milled rice, to domestic and export markets, under the brands Mah Boon Krong Rice, Patta Rice and Jasmine Gold Rice. Patum also manufactures rice flour, crude bran oil and extracted bran and operates energy, logistics, export and packaging businesses.

REI Agro Limited

REI Agro Limited (REI) is an Indian food processing company engaged in basmati rice processing, power generation and retail. REI markets a range of brands of basmati rice including their premium brands, Kasauti and Real Magic, mid-range brands, Mr. Miller and Hungama, and economy brands, Hansraj and Rain Drop, and has a rice processing capacity of approximately 79 tons per hour. REI also generates power through its windmill in Gujarat and operates approximately 320 retail stores.

Sato Foods Co. Limited

Sato Foods Co. Limited (Sato) is a Japanese food company. Sato is primarily a manufacturer and marketer of packaged rice cakes and packaged rice in Japan. Sato is also engaged in the sale of food products and daily sundry goods and the operation of golf courses through its subsidiary and associated company.

Appendix 5 – Comparable transactions

Table 23: Comparable transactions

Target	Acquirer	Completion date	Currency	Transaction value (AU $m)	Percentage acquired	Historical EBITDA multiple
Agricultural						
Australian Cooperative Foods Limited	National Foods Limited	27-Nov-2008	AUD	910	100.0%	14.9
Australian Agricultural Investments Limited	Redisland Australia Limited	13-Sep-2007	AUD	11	100.0%	11.3
Queensland Cotton Holdings Limited	OLAM International Limited	1-Aug-2007	AUD	166	100.0%	4.3
Frankland River Olive Company Limited	Multiple shareholders	14-Jul-2006	AUD	6	50.0%	13.6
Food Processing						
National Foods Limited	Kirin Holdings Co Limited	28-Dec-2007	AUD	2800	100.0%	19.8
Sunbeam Foods Group Limited	Food Finance Limited	19-Mar-2007	AUD	100	100.0%	5.9
Greens Foods Limited	Nestle Australia Limited	26-Feb-2007	AUD	132	100.0%	10.5
Patties Foods Pty Limited	Multiple shareholders	6-Nov-2006	AUD	103	42.2%	13.3
Burns Philp (Uncle Toby's business)	Nestle Australia Limited	14-Jul-2006	AUD	890	100.0%	11.3
Total mean				**569**		**11.7**
Total median				**132**		**11.3**

Source: Mergermarket, Thomson SDC, Zephyr
Downloaded on 16 March 2009

Agricultural Comparable Transactions

Australian Cooperative Foods Limited (acquisition 100%)

On 27 November 2008 National Foods Limited (National) announced that it had completed its acquisition of Australian Cooperative Foods Limited (ACF), a supplier of diary products that trades under the name Dairy Farmers. Under the terms of the agreement, ACF shareholders received $AU5.65 per ACF share, which included a fully franked special dividend from ACF of up to $AU0.59 per share. The total deal value was AU$910 million.

Australian Agricultural Investments Limited (acquisition 100%)

On 13 September 2007 Redisland Australia Limited (Redisland), an olive oil company, announced its acquisition of Australian Agricultural Investments Limited (AAI), a producer of olive groves. The value of the transaction was $AU10.6 million to be satified by the issue of approximately 71 million shares valued at AU$0.15 per share.

Queensland Cotton Holdings Limited (acquisition 100%)

On 1 August 2007 OLAM International Limited (OLAM), a global supply chain manager of agricultural products, announced the completion of its acquisition of Queensland Cotton Holdings Limited (Queensland Cotton), a cotton producer and marketer. Queensland cotton shareholders received AU$5.90 per share in cash making the total transaction value AU$166.46 million. This represented a 76 percent premium over Queensland Cotton's closing share price the day before it was reported that it may become a takeover target.

Frankland River Olive Company Limited (IPO 50%)

On 27 April 2006 Frankland River Olive Company Limited (Frankland), an olive oil producer, lodged a prospectus for an IPO on the Australian Stock Exchange (ASX). Frankland planned to issue 23.5 million shares at AU$0.25 per share in order to raise AU$5.875 million via a one-for-one rights issue to existing shareholders. On 14 August Frankland officially on the ASX.

Food Processing Comparable Transactions

National Foods Limited (acquisition 100%)

On 28 December 2007 Kirin Holdings Co Limited (Kirin) announced the completion of its acquisition of National Foods Limited (National), an Australian dairy products producer and wholesaler, from San Miguel Corp. Kirin will acquire all National share by the end of 2007 and make National a consolidated subsidiary. The total transaction value was AU$2.8 billion, including the assumption of interest-bearing debt of approximately AU$1.9 billion.

Sunbeam Foods Group Limited (institutional buy-out 100%)

On 19 March 2007 Food Finance Limited (Food Finance) announced the completion of its buy-out of Sunbeam Foods Limited (Sunbeam), a diversified agri-food business with a portfolio of products that include dried fruit, nuts, citrus and juices. Shareholders agreed to sell Sunbeam for AU$17 per share, or a total takeover value of AU$108 million.

Greens Foods Limited (acquisition 100%)

On 26 February 2007 Nestle Australia Limited (Nestle), a wholly owned unit of Nestle SA, a listed Swiss food and beverage company, announced its acquisition of the entire ordinary share capital of Greens Foods Limited (Greens), a food products producer and wholesaler. Nestle paid AU$0.9 in cash per share, or a total value of AU$100.537 million. The offer represented a premium of 11 percent over Greens' closing price of $AU0.81 on 28 November 2006, the day prior to the announcement of the bid.

Patties Foods Pty Limited (IPO 42.21%)

On 3 November 2006 Patties Foods Pty Limited (Patties) was officially listed on the Australian Stock Exchange (ASX) and began trading on 6 November. Under the prospectus, Patties' owners the Rijs family, offered shares at a price of AU$1.75 per share to raise AU$102.7 million. This will reportedly give Patties a market capitalisation of AU$243.3 million, meaning the shares represent a 42.21 percent stake in the enlarged share capital.

Burns Philp – Uncle Toby's business (acquisition 100%)

On 14 July 2006 Nestle Australia Limited (Nestle), the Australian subsidiary of Nestle SA, Swiss food and beverage company, announced its acquisition of the Uncle Toby's business from Burns, Philp & Company Limited. Uncle Toby's is a food processor whose products include oats, cereals and snack foods. The consideration for the deal was AU$890 million, with the transaction including the rights to the Toby's brand in New Zealand.