



**Interim Report to Shareholders
For the nine months ended
31 March 2004**

Dear Shareholder:

Ridley recorded net earnings of \$0.6 million for the third quarter of fiscal 2004, after the significant loan impairment Ridley announced on May 3, 2004, compared with earnings of \$4.0 million for the same period in fiscal 2003, as the effects of weak economics for livestock producers continue to impact results. We are operating in a very challenging environment. The weaker U.S. dollar, a reduction in the number of cattle on feed, the ongoing uncertainty for beef producers created by the BSE-related incidents reported in 2003, and continued poor swine production economics have combined to impact the entire livestock industry, and by extension, Ridley's performance.

In addition to very difficult trading conditions in the livestock industry, the results for the fiscal 2004 third quarter also reflect Ridley's decision to provide for its remaining exposure on a loan made to a significant swine customer.

Ridley had advanced funds to the customer in 1999 and 2000 as part of a restructuring and expansion of its operations. The loan was linked to a long-term feed supply contract. An outbreak of PRRS (a respiratory syndrome that reduces the productivity of sows) in its operations led to financial difficulties that the customer has not been able to overcome. Ridley had recorded a reserve in fiscal 2003 to reflect the doubtful collectibility of the loan, and increased the reserve in the first half of fiscal 2004. With repayment of the loan increasingly in doubt, Ridley took the decision to fully provide for the remaining exposure, and recorded an additional impairment reserve of \$5.0 million (\$3.0 million after tax) in the third quarter.

Overall, the continuing uncertainty in the marketplace for Ridley's customers has caused our bad and doubtful debt expense to increase from \$0.9 million in the nine-month period of fiscal 2003 to \$7.9 million in 2004. Total reserves for receivables and loans have increased from \$6.1 million in March 2003 to \$19.1 million in March 2004, of which \$10.1 million relates to the significant swine customer noted above. Although Ridley has no other exposure in its customer portfolio comparable to the swine customer noted above, we are continuing to monitor the situation closely.

The comparative figures for our fiscal 2003 third quarter and nine months were enhanced by a drought assistance program introduced by the USDA in August 2002 in response to an extended drought in the midwestern and western U.S. The program continued through to January 2003, helping to push Ridley's feed sales in the first nine months of fiscal 2003 to record levels, and generating strong profitability. This year, there is no drought assistance program and improved moisture conditions in the summer and autumn provided better grazing for cattle, sharply reducing feed sales volumes.

In Canada, pork producers continue to face weak market prices and a lower U.S. dollar exchange rate, which has reduced the revenue they receive for every hog sold, while beef producers have been devastated by the BSE export ban which has significantly reduced sales volumes.

Third Quarter Results

Sales decreased 6.6% to \$152.9 million compared with \$163.6 million in the year-earlier period. Generally, a comparison of sales on a dollar basis is not necessarily indicative of the strength of Ridley's business because fluctuating commodities prices can influence revenues. For the third quarter, the lower sales revenues reflect a reduction (of about 8%) in feed sales volumes and a lower exchange rate used to convert U.S. dollar-denominated sales to Canadian dollar equivalent, offset by sharply higher commodity prices for feed ingredients.

Lower sales volumes have affected plant utilization rates, and because of the impact of fixed manufacturing costs and the difficult operating environment, gross profit percentages are down slightly for the fiscal 2004 third quarter and year to date. As a result, consolidated gross profit was \$30.1 million in the fiscal 2004 third quarter compared with \$33.1 million in fiscal 2003.

Fiscal 2004 third quarter operating expenses were \$27.0 million, \$4.2 million higher than the previous year, primarily due to higher provisions for doubtful accounts. The increase in operating expenses was moderated by a lower U.S. dollar exchange rate compared with last year. Operating income was \$3.1 million compared with \$10.4 million in the third quarter of fiscal 2003. Cash flow from operations continues to be strong, allowing Ridley to further reduce bank debt, and saving \$0.4 million in interest expense.

Earnings from continuing operations were \$1.4 million in the fiscal 2004 third quarter compared with \$5.5 million in 2003. The remaining portion of the Company's discontinued Cotswold Swine Genetics business, which is in the process of being divested, reported a loss of \$0.8 million in the third quarter compared with a loss of \$1.5 million in the same period of fiscal 2003. The Cotswold liquidation and orderly exit continues to be on plan, and liquidation costs to date are consistent with expectations.

Net earnings for the fiscal 2004 third quarter were \$0.6 million (diluted earnings per share of \$0.03) compared with \$4.0 million (diluted earnings per share of \$0.29) in 2003. EBITDA were \$5.8 million in the third quarter of fiscal 2004 compared with \$13.2 million for the same period in 2003.

In converting Ridley's U.S. dollar denominated earnings into Canadian dollars for financial statement purposes, the weaker U.S. dollar exchange rate reduced Ridley's reported operating income by \$1.1 million for the quarter and by \$4.7 million in the nine months of fiscal 2004. The lower exchange rate negatively impacted net income by \$0.5 million for the quarter and \$2.4 million for the year to date.

Nine Months Results

Sales for the year to date have decreased by 12.3% to \$461.8 million, compared with \$526.7 million in fiscal 2003. The same economic conditions that characterized the third quarter have prevailed throughout fiscal 2004, leading to a reduction (of about 10%) in feed sales volumes. Similar to the third quarter comments, sales revenues for the year to date have also been impacted by a lower U.S. dollar exchange rate, offset by sharply higher commodity prices. Gross profit for the first nine months of fiscal 2004 was \$92.3 million, compared with \$107.4 million in the year-earlier period.

Bank debt has been reduced by \$15.9 million exclusive of foreign currency translation since the June 30, 2003 year-end, and by \$11.7 million from a year ago. The lower level of bank debt and continuing favorable interest rates enabled Ridley to reduce interest expense in the nine months of fiscal 2004 by \$1.2 million compared with the same period of fiscal 2003.

Earnings from continuing operations are \$10.9 million for the fiscal 2004 nine-month period compared with \$21.6 million in 2003. The loss attributed to the discontinued Cotswold operations is \$1.9 million year to date compared with \$4.5 million for the same period of fiscal 2003.

Net earnings for the year to date were \$9.1 million (diluted earnings per share of \$0.65) compared with \$17.1 million (diluted earnings per share of \$1.24) in the nine months of fiscal 2003. EBITDA for the nine months were \$29.1 million in fiscal 2004 compared with \$47.9 million in the same period of fiscal 2003.

Segment Results

The factors that overshadowed Ridley's results in the first half of fiscal 2004 continued to exert the same influence in the third quarter. The U.S. Division generated lower feed sales volumes in the fiscal 2004 third quarter and for the year to date. The decrease in year-over-year sales volumes is primarily due to the impact of the drought assistance program that was introduced by the USDA in August 2002. The program helped to generate substantial sales volumes for the U.S. Division until its expiry in January 2003. Sales slowed appreciably following expiry of the program and it became apparent that many livestock producers took advantage of the opportunity to stockpile feed inventory.

The fiscal 2003 drought also caused cattle producers to move cattle from Hubbard's key markets in the midwestern and western U.S. to the southeast where the Company's distribution channels are not as strong, resulting in there being fewer cattle to feed in Hubbard's traditional markets in fiscal 2004.

The accumulation of feed inventory by producers had a negative impact on Ridley's beef feed sales volumes for the balance of the 2003 calendar year, although beef feed sales appear to have returned to normal levels by the end of the fiscal 2004 third quarter.

In fiscal 2004, beef feed sales have also been restrained by improved moisture conditions last summer and autumn in much of the midwestern and western U.S., and by mild early winter weather with little snow cover, resulting in good grazing conditions and less demand for formulated feed.

The combined effect of these factors is a reduction in operating income for the U.S. Division of \$7.0 million for the third quarter and \$18.1 million for the year to date. As noted earlier in this report, the fiscal 2004 operating results for the U.S. Division reflect a provision for impairment recorded by Ridley on a loan advanced to a significant swine producer.

Operating income for the Canadian Division was down \$0.4 million for the third quarter and \$0.8 million for the year to date. The Canadian Division's sales volumes were also down in the quarter and for the year to date. The closing of the U.S. border to Canadian live cattle as a result of the BSE incident has created turmoil and introduced a high degree of uncertainty for North American markets. In addition, the prolonged drought in western Canada and consequent shortage of grain led to a gradual reduction over the past two to three years in the number of cattle on feed.

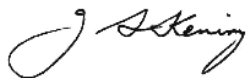
Although demand for pork has increased, allowing market prices for hogs to recover somewhat, the increased cost of feed and a lower U.S. dollar exchange rate for Canadian hog exports have negated the benefit for swine producers.

Outlook

Ridley has faced numerous challenges in fiscal 2004, and a continuing tough economic environment will require that we be vigilant. There are signs of improving economics for the swine and beef industries on both sides of the border, and market prices currently are good for the beef, swine, dairy and poultry sectors, allowing efficient producers to be profitable. However, the adverse conditions under which our customers have been operating in the past year have unquestionably had a tremendous impact. A number of customers are in a fragile financial state, with weakened balance sheets. In light of this, we are carefully monitoring our credit exposures and the ongoing financial health of our customers. Although we are not satisfied with our results in fiscal 2004, we remain confident that despite the immediate challenges of this market, Ridley has the team and the strategy to enhance long-term shareholder value.

Sincerely,

RIDLEY INC.



Dr. J.S. Keniry
Chairman

Ridley Inc.**Consolidated Balance Sheet (Unaudited)**

(Cdn \$ in thousands)

	31 March 2004	30 June 2003	31 March 2003
Assets			
Cash and short-term deposits	1,514	873	821
Accounts receivable	35,908	36,289	38,823
Inventories	45,776	42,226	46,827
Income taxes recoverable	-	3,354	994
Prepays and other current assets.....	2,676	1,821	2,322
Current portion of loans receivable.....	5,741	6,073	7,307
Current assets of discontinued operations.....	2,305	6,574	3,727
Total current assets.....	93,920	97,210	100,821
Loans receivable, less current portion	5,394	12,023	15,842
Investments.....	182	414	479
Assets held for sale.....	1,774	1,820	1,985
Fixed assets.....	113,826	112,912	119,531
Other assets.....	2,416	2,423	2,571
Goodwill	56,675	57,057	60,859
Non-current assets of discontinued operations.....	1,377	1,157	10,780
Total non-current assets.....	181,644	187,806	212,047
Total assets.....	275,564	285,016	312,868
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	42,339	44,118	49,351
Income taxes payable	6,838	-	-
Current portion of long-term debt.....	19,272	15,818	19,080
Current liabilities of discontinued operations.....	2,033	1,638	1,553
Total current liabilities.....	70,482	61,574	69,984
Long-term debt, less current portion.....	39,118	60,075	57,880
Future income taxes.....	22,744	26,674	32,328
Pension and post-retirement benefits	4,454	4,569	4,630
Total long-term liabilities.....	66,316	91,318	94,838
Shareholders' Equity			
Share capital	84,336	83,912	83,584
Minority interest.....	429	372	306
Cumulative foreign currency translation adjustment	(13,694)	(10,803)	(1,191)
Retained earnings	67,695	58,643	65,347
Total shareholders' equity	138,766	132,124	148,046
Total liabilities and shareholders' equity	275,564	285,016	312,868

Ridley Inc.

Consolidated Statement of Earnings (Unaudited) (Cdn \$ in thousands)	Three Months Ended 31-Mar-04	Three Months Ended 31-Mar-03	Nine Months Ended 31-Mar-04	Nine Months Ended 31-Mar-03
Revenue	152,880	163,589	461,808	526,705
Cost of sales	122,769	130,468	369,524	419,256
Gross profit	30,111	33,121	92,284	107,449
Operating expenses				
Selling, general and administrative.....	23,810	19,625	62,321	58,800
Depreciation.....	2,538	2,591	7,533	7,920
Research and development.....	462	261	869	751
Amortization.....	162	257	576	781
Total operating expenses	26,972	22,734	71,299	68,252
Operating income.....	3,139	10,387	20,985	39,197
Interest expense.....	1,258	1,623	4,000	5,232
Loss on sale of investment.....	-	-	-	684
Other income, net.....	(306)	(324)	(937)	(1,564)
Earnings before income taxes	2,187	9,088	17,922	34,845
Provision for income taxes	806	3,550	6,935	13,205
Minority share of net income	29	35	59	45
Net earnings from continuing operations	1,352	5,503	10,928	21,595
Loss attributed to discontinued operations.....	(783)	(1,462)	(1,876)	(4,541)
Net earnings.....	569	4,041	9,052	17,054
Earnings per share from continuing operations - basic	0.10	0.40	0.80	1.60
- diluted	0.09	0.40	0.79	1.57
Net earnings per share - basic.....	0.04	0.30	0.66	1.27
- diluted.....	0.03	0.29	0.65	1.24
Retained earnings, beginning of period			58,643	48,293
Current year earnings.....			9,052	17,054
Retained earnings, end of period.....			67,695	65,347

Ridley Inc.

Consolidated Statement of Cash Flows (Unaudited) (Cdn \$ in thousands)	Three Months Ended 31-Mar-04	Three Months Ended 31-Mar-03	Nine Months Ended 31-Mar-04	Nine Months Ended 31-Mar-03
Operating activities				
Net earnings for the period.....	569	4,041	9,052	17,054
Add (deduct) items not affecting cash:				
Depreciation of fixed assets	2,543	2,679	7,547	8,196
Future income taxes.....	(2,055)	413	(3,157)	1,723
Diminution in value of breeding stock	-	146	-	440
Loss on sale of fixed assets	59	156	31	113
Loss on investments	-	-	-	684
Gain on liquidated assets	-	-	(2,382)	-
Amortization.....	162	296	584	918
Loan impairments.....	4,970	-	6,140	-
Other items not affecting cash.....	32	(5)	53	318
Cash flow from earnings.....	6,280	7,726	17,868	29,446
Net change in non-cash working capital balances related to operations:				
Accounts receivable	7,123	16,257	1,660	8,031
Inventories	(691)	(2,426)	(1,656)	(2,510)
Prepaid expenses	541	1,119	(1,013)	(351)
Accounts payable, accruals and other liabilities.....	(6,309)	(7,325)	(1,741)	(5,454)
Income taxes payable	(176)	(4,133)	9,112	(95)
Net cash from operating activities.....	6,768	11,218	24,230	29,067
Investing activities				
Proceeds on disposal of fixed assets and investments.....	332	18	519	259
Purchase of fixed assets and investments.....	(2,549)	(2,499)	(7,147)	(7,109)
Proceeds on liquidated assets.....	301	-	4,649	-
Decrease (increase) in loans receivable.....	(2,337)	(4,314)	315	(839)
Business acquisitions.....	-	52	(6,017)	(3,504)
Net cash utilized for investing activities	(4,253)	(6,743)	(7,681)	(11,193)
Financing activities				
Repayment of long-term debt.....	(3,455)	(6,545)	(15,929)	(20,313)
Issuance of share capital.....	174	1,079	424	1,486
Net cash utilized for financing activities	(3,281)	(5,466)	(15,505)	(18,827)
Effect of exchange rate changes on cash.....	72	(81)	8	12
Increase (decrease) in cash and short-term deposits	(694)	(1,072)	1,052	(941)
Net cash and short-term deposits – beginning	2,672	2,081	926	1,950
Net cash and short-term deposits – ending	1,978	1,009	1,978	1,009
Cash of discontinued operations	(464)	(188)	(464)	(188)
Net cash and short-term deposits.....	1,514	821	1,514	821

Ridley Inc.

Segment Information (Unaudited) (Cdn \$ in thousands)	Three Months Ended 31-Mar-04	Three Months Ended 31-Mar-03	Nine Months Ended 31-Mar-04	Nine Months Ended 31-Mar-03
Revenue				
Canadian Division	40,461	46,189	126,740	140,233
US Division	112,419	117,400	335,068	386,472
Total revenue	152,880	163,589	461,808	526,705
Cost of sales				
Canadian Division	32,822	38,413	103,148	117,025
US Division	89,947	92,055	266,376	302,231
Total cost of sales	122,769	130,468	369,524	419,256
Gross profit	30,111	33,121	92,284	107,449
Operating expenses				
Canadian Division	5,469	5,174	16,760	15,579
US Division	20,492	16,320	51,405	48,899
Unallocated	1,011	1,240	3,134	3,774
Total operating expenses	26,972	22,734	71,299	68,252
Operating income				
Canadian Division	2,170	2,602	6,832	7,629
US Division	1,980	9,025	17,287	35,342
Unallocated	(1,011)	(1,240)	(3,134)	(3,774)
Total operating income	3,139	10,387	20,985	39,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting policies and basis of presentation

The Company's accounting policies are in accordance with accounting principles generally accepted in Canada. These interim consolidated financial statements are unaudited and are based on accounting principles and practices consistent with those used in the preparation of the annual audited financial statements. These interim consolidated financial statements do not include all the disclosures normally included in the Company's annual consolidated financial statements. They should be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2003, as set out in the 2003 Annual Report.

Seasonality

The fiscal second and third quarters are historically the Company's strongest periods when the usually cold October through March weather creates increased demand for beef feed, low-moisture supplement blocks and, to a lesser degree, dairy feed. Other product lines are only marginally affected by seasonal conditions.

Revenue

A comparison of revenue on a dollar basis is not necessarily indicative of the strength of Ridley's business because fluctuating commodities prices can influence revenues. Commodity grain and protein meals constitute a significant component of the Company's complete feed production.

Reclassifications

Prior period amounts have been reclassified to conform with current year presentation. The reclassifications had no impact on net earnings or shareholders' equity as previously reported.

Foreign operations

The accounts of self-sustaining foreign subsidiary companies are translated into Canadian dollars on the following basis:

- assets and liabilities at the exchange rate prevailing at the balance sheet date; and
- revenue and expenses at weighted average exchange rates for the year.

Adjustments arising from this translation are deferred and recorded as a separate item under shareholders' equity and are included in income only when a reduction in the net investment in these foreign operations is realized. Gains or losses on foreign currency balances and transactions that are designated as hedges of a net investment in self-sustaining foreign operations are offset against exchange losses or gains included in the separate item under shareholders' equity.

Business acquisitions

On August 11, 2003, the Company acquired the assets and business of Heartland Inc., located in Bismarck, North Dakota, for \$6.0 million. Heartland Inc. manufactures a complete line of animal feeds. Heartland and Hubbard Feeds (Ridley) were previously involved in a joint venture. The values attributed to the net assets acquired were \$4.2 million to fixed assets, \$1.1 million to working capital and \$0.7 million to goodwill. The results of Heartland since the acquisition date are included in the U.S. Division.

Discontinued operations

The summarized operating results of the discontinued operations, net of income taxes, for the quarter and nine months ending March 31, 2004 and 2003 are as follows (in \$000):

	Three Months Ended 31-Mar-04	Three Months Ended 31-Mar-03	Nine Months Ended 31-Mar-04	Nine Months Ended 31-Mar-03
Operating loss	(384)	(1,295)	(1,134)	(4,374)
Gain on liquidated assets	(136)	-	1,225	-
Liquidation and exit costs	(263)	(167)	(1,967)	(167)
Loss from discontinued operations	(783)	(1,462)	(1,876)	(4,541)



Ridley Inc.
17 Speers Road, Winnipeg, Manitoba
R2J 1M1 CANADA

Phone: (204) 956-1717
Fax: (204) 956-1687

Trading Symbol: RCL
on The Toronto Stock Exchange