



Interim Report to Shareholders
For the three months ended December 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis as of February 13, 2006 is based on the accompanying financial statements prepared using Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts are in U.S. dollars unless otherwise stated.

Second Quarter Results

The following summary data is presented to assist in understanding the fiscal 2006 second quarter results:

(Millions of dollars except for EPS)	3 Months Ended Dec-31-05	3 Months Ended Dec-31-04	6 Months Ended Dec-31-05	6 Months Ended Dec-31-04
Revenue	\$138.3	\$129.9	\$258.8	\$247.8
Net earnings from continuing operations	4.8	5.3	7.2	4.2
Discontinued operations	-	-	-	(0.2)
Net earnings	4.8	5.3	7.2	4.0
Diluted EPS	0.34	0.39	0.52	0.29
EBITDA*	10.3	10.3	16.8	12.5

*EBITDA – Operating income before amortization and asset impairment loss. EBITDA does not have a standardized meaning prescribed by Canadian GAAP and therefore is not readily comparable to similar measures presented by other companies. However, management believes that this measure provides investors with useful supplemental information.

Consolidated Second Quarter Results

Revenue increased by 6.5% to \$138.3 million compared with \$129.9 million in the second quarter of 2005. Generally, a comparison of revenue on a dollar basis is not necessarily indicative of the strength of Ridley's business because revenue can be influenced by fluctuating commodities prices. In fiscal 2006, revenue includes an increase of 2.9% in feed sales volumes and higher selling prices per ton, reflecting higher input costs.

Gross profit was \$25.8 million compared with \$26.2 million in the second quarter of fiscal 2005. Margins have eroded slightly compared with the fiscal 2005 results. The Ridley Nutrition Solutions (RNS) operations in particular have experienced higher costs for feed ingredients, especially for molasses, and continuing higher transportation costs and operating disruptions as a result of the hurricanes in the south-eastern U.S.

Overall operating expenses in the second quarter were \$17.5 million, a reduction of \$0.5 million from the previous year. However, the 2006 operating expenses are reduced by a \$0.7 million claim settlement received from a supplier. The cost reduction program introduced last year continues to yield results in the current year, but the savings have been offset by higher energy costs and legal and professional fees. The stock option amendment announced in August 2005, which provided option holders with a cash settlement alternative when exercising options, expired at the end of November. The \$0.1 million cost of the cash settlement alternative is included in operating expenses for the 2006 second quarter.

Operating income for the quarter of \$8.3 million was a slight improvement over the second quarter of fiscal 2005. Ridley continues to generate strong cash flow and combined with a significant number of customer pre-payments received at the calendar year-end, allowed the Company to reduce total bank debt by \$19.6 million in the quarter, and reduce interest expense by \$0.4 million.

The provision for income taxes in the fiscal 2006 second quarter was \$3.1 million, an increase of \$0.9 million over the comparable fiscal 2005 income tax provision, when favorable adjustments were made in respect of prior year estimates.

Net earnings for the fiscal 2006 second quarter were \$4.8 million (diluted earnings per share of \$0.34) compared with \$5.3 million (diluted earnings per share of \$0.39) in 2005. EBITDA were \$10.3 million in the second quarter of fiscal 2006, consistent with the \$10.3 million EBITDA for the same period in 2005.

Six Months Results

Revenue for the year to date increased by 4.5% to \$258.8 million, compared with \$247.8 million in fiscal 2005. The increase is attributable to an overall increase in feed sales volumes of 3.1% and the impact of higher input costs. As noted earlier, revenue can be influenced by fluctuating commodities prices. All of Ridley's businesses reported an increase in sales volumes, although the Sweetlix feed supplement business includes six months of results in fiscal 2006 and only five months results in fiscal 2005, from the date of its acquisition on July 30, 2004. Excluding the additional month of operations, Sweetlix volumes would have been flat.

Gross profit for the first half of fiscal 2006 was \$46.5 million, compared with \$43.8 million in the year-earlier period. The increased gross profit in the first half reflects higher sales volumes and a slight increase in margins. The fiscal 2005 period included unusual volatility in feed ingredient prices in the first quarter, with a rapid and unexpected drop in price for proteins, causing losses on inventory and existing purchasing positions, and impacting gross profit by approximately \$1.5 million.

Overall operating expenses in the fiscal 2006 first half were \$33.9 million, a reduction of \$2.7 million from the previous year. As noted above, operating expenses in 2006 were reduced by the \$0.7 million claim settlement received from a supplier, and in 2005 included a \$1.3 million impairment loss related to the closing of the St. Paul, Alberta feed mill and a provision of \$0.5 million for severance costs related to the Company's cost reduction program.

Interest expense in the first half of fiscal 2006 was \$1.2 million compared with \$1.9 million for the same period of fiscal 2005, reflecting a year-over-year reduction of \$23.4 million in debt levels, partially offset by slightly higher interest rates.

The provision for income taxes in the first six months of fiscal 2006 was \$4.6 million, compared with \$1.5 million recorded in the same period of fiscal 2005. The smaller provision in 2005 was due primarily to lower pre-tax earnings and favorable adjustments of \$0.8 million made in 2005 to prior year estimates.

Net earnings for the year to date are \$7.2 million (diluted earnings per share of \$0.52) compared with \$4.0 million (diluted earnings per share of \$0.29) in the first half of fiscal 2005. Year to date EBITDA were \$16.8 million in fiscal 2006 compared with \$12.5 million in fiscal 2005.

Segment Results

Second quarter sales results were strong for Ridley Feed Operations (RFO), particularly in the Canadian operations. Overall volumes increased by 2.8% in the second quarter of fiscal 2006, with all of the improvement being in the Canadian plants. For the second quarter, RFO reported operating income of \$7.4 million compared with \$5.5 million in the same period of fiscal 2005.

Although weather conditions throughout Ridley's trading area have not been conducive for feed sales, the Canadian plants have benefited from an aggressive sales program and improved livestock economics. The Canadian plants were affected in the fiscal 2005 second quarter by cross-border issues affecting the ability of beef and swine producers to ship their product to the United States. The reported cases of BSE in Alberta resulted in a closing of the U.S./Canada border for shipments of live Canadian cattle, and Canadian pork producers were impacted by a proposed countervailing duty on Canadian hogs entering the U.S. The border has since been re-opened for shipments of cattle under the age of 30 months, and the proposed duty was dropped, leading to a recovery of feed volumes in the swine and beef sectors for the Canadian operations.

Ridley Nutrition Solutions (RNS), which includes the low moisture block operations, specialty products, Sweetlix feed supplements and the equine nutrition business, McCauley Bros., Inc., recorded second quarter sales volumes that were 3.3% higher than last year.

Product sales for all of the RNS businesses have been somewhat hampered in fiscal 2006 by weather conditions that produced good forage for cattle in the U.S. south-east, and by a lack of winter snow cover in the west until late in the year. The block operations and Sweetlix are coping with shortages of molasses, and consequently higher costs, partly due to hurricanes damaging the sugar cane crop in the south-eastern U.S., and partly due to excess rainfall affecting the sugar beet crop in the Red River Valley. RNS has shifted some production volume among its plants and has incurred higher transportation costs for raw materials being shipped into the plants, and finished product being shipped to customers. The hurricanes also created significant disruptions to transportation in the U.S. south-east, and a shortage of rail cars has impeded inbound shipments of ingredients and outbound feed shipments.

The production disruptions and higher input costs resulted in Ridley Nutrition Solutions reporting operating income of \$3.0 million for the second quarter of fiscal 2006, compared with \$3.7 million in the same period of fiscal 2005.

Unallocated operating expenses are \$1.1 million higher in the 2006 second quarter primarily because of legal fees associated with the BSE lawsuits and increased professional fees.

Liquidity/Capital Resources/Cash Flow

The Company's debt to equity position is summarized below:

Balances as of:	Dec-31-05 (\$000)	Jun-30-05 (\$000)	Dec-31-04 (\$000)
Debt*	22,238	40,395	45,615
Equity	127,862	118,722	112,667
Debt to equity	17%	34%	40%

*Debt is defined as bank obligations and capital leases

Strong cash flow from earnings and careful management of working capital balances, coupled with pre-payments received from customers at the calendar year-end, has allowed Ridley to reduce debt by \$18.2 million to \$22.2 million by December 31, 2005.

Operating activities generated cash of \$26.7 million in the 2006 second quarter compared with \$20.7 million in the same quarter of last year.

Capital Expenditures

Year-to-date expenditures on capital assets are \$2.1 million compared with \$4.7 million a year ago. The expenditures are being made on a number of small projects, with the objective of improving production efficiency and flexibility at several plants.

Business Acquisitions

On August 12, 2005, Ridley purchased the remaining 49% share in McCauley Bros., Inc. (MBI) for an aggregate consideration of \$1.5 million. Consideration includes an initial cash payment of \$1.1 million and deferred payments totalling \$0.4 million, payable in equal annual instalments over a three-year period with accrued interest at 3.7% on the balance outstanding. MBI is located in Versailles, Kentucky and manufactures premium quality feeds and nutritional supplements for the equine market.

On July 30, 2004, Ridley acquired the assets of the livestock feed supplement business of Sweetlix, LLC (Sweetlix) for \$17.6 million. Sweetlix includes three manufacturing facilities located in Montgomery, Alabama; Syracuse, Indiana; and Fort Worth, Texas.

On November 1, 2004 the Company acquired the accounts receivable, inventory and specified transportation equipment of The Farmway Co-op, Inc.'s (Farmway) feed business located in Beloit, Kansas for \$1.0 million.

Litigation/Contingency

Law suits filed in Alberta, Saskatchewan, Quebec and Ontario against the Canadian Federal Government also name Ridley Inc. and its majority shareholder, Ridley Corporation Limited of Sydney, Australia as co-defendants.

The proposed representative plaintiffs are seeking to certify class actions to include all Canadian cattle farmers who allegedly suffered damage as a result of the imposition of international bans on the export of Canadian beef and cattle following the May 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. The Ontario action seeks a national class to include affected cattle farmers residing in the six remaining Canadian provinces.

The proposed representative plaintiffs seek general, special, aggravated and punitive damages on behalf of themselves and each of the proposed Canadian cattle farmer class members. Full particulars of the claims are yet to be provided.

On January 5, 2006, the Superior Court of Ontario entirely struck out the claims against Ridley Corporation. The claims against Ridley Inc. were not struck out, and it has applied for leave to appeal that decision.

At this time Ridley Inc. and Ridley Corporation cannot determine what impact, if any, these law suits may have on it, or its future earnings, and no accruals have been made in respect of the actions.

Ridley Inc. believes that there is little prospect of any of its insurers responding favorably, and it will continue to fund the cost of the lawsuits from operating cash flow.

Forward Looking

This report contains "forward-looking" information. The forward-looking information includes statements concerning the Company's outlook for the future, as well as other statements of beliefs, plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking information and

statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, contemplated or implied by, such statements. These risks and uncertainties include the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations, the availability and prices of raw materials and supplies, livestock disease, product pricing, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards and other regulatory requirements affecting the Company's business, adverse results from ongoing litigation and actions of domestic and foreign governments. Other risks are outlined in the Risk Management section of the MD&A included in the Company's 2005 Annual Report. Unless otherwise required by applicable securities law, the Company disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions readers not to place undue reliance upon forward-looking statements.

Outlook

Ridley is cautiously optimistic about the second half of fiscal 2006 although the environment for livestock production is weakening for some species. The Safety First program that was initiated last year is continuing in fiscal 2006, and has produced improvement in Ridley's safety metrics in the first six months of fiscal 2006. For the balance of the year, Ridley will continue to strengthen its financial position through effective management of its funds employed and by investments in capital projects that add to plant efficiency and provide a safe work environment.

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

(U.S.\$ in thousands)

	December 31, 2005	June 30, 2005	December 31, 2004
Assets			
Current assets			
Cash and short-term deposits	8,220	1,280	2,749
Accounts receivable.....	32,860	26,392	30,461
Inventories.....	38,951	37,286	37,868
Income taxes recoverable.....	-	-	47
Prepays and other current assets	2,147	1,143	2,408
Current portion of loans receivable	2,567	2,421	3,181
Current assets of discontinued operations	-	-	1,154
Future income tax benefit	2,338	2,013	2,577
Total current assets	87,083	70,535	80,445
Loans receivable, less current portion.....	2,521	3,269	3,774
Property, plant and equipment.....	95,017	95,847	96,393
Other assets	2,003	2,287	2,002
Other intangibles	3,983	4,026	4,068
Goodwill.....	49,003	47,411	47,467
Non-current assets of discontinued operations	-	796	-
Total non-current assets	152,527	153,636	153,704
Total assets	239,610	224,171	234,149
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities.....	57,363	36,555	44,892
Income taxes payable.....	3,686	81	1,046
Short-term debt.....	-	2,298	184
Current portion of long-term debt	191	6,073	11,754
Current liabilities of discontinued operations	-	289	343
Total current liabilities	61,240	45,296	58,219
Long-term debt, less current portion	22,047	32,024	33,677
Future income tax liability	24,302	23,624	25,575
Other accrued liabilities.....	4,159	4,038	3,650
Non-controlling interest	-	467	361
Total long-term liabilities	50,508	60,153	63,263
Shareholders' Equity			
Share capital.....	57,191	57,191	57,169
Cumulative foreign currency translation adjustment.....	9,025	7,128	7,829
Retained earnings.....	61,646	54,403	47,669
Total shareholders' equity	127,862	118,722	112,667
Total liabilities and shareholders' equity	239,610	224,171	234,149

Ridley Inc.

Consolidated Statement of Earnings and Retained Earnings (Unaudited) (U.S. \$ in thousands)	Three Months Ended Dec-31-05	Three Months Ended Dec-31-04	Six Months Ended Dec-31-05	Six Months Ended Dec-31-04
Revenue	138,314	129,915	258,784	247,756
Cost of sales	112,547	103,724	212,262	203,945
Gross profit	25,767	26,191	46,522	43,811
Operating expenses				
Selling, general and administrative	15,945	15,553	30,040	30,514
Amortization of property, plant and equipment	1,932	1,931	3,929	3,823
Research and development	252	355	436	753
Other amortization	106	128	211	224
Claim settlement (Note 4)	(748)	-	(748)	-
Asset impairment loss	-	-	-	1,305
Total operating expenses	17,487	17,967	33,868	36,619
Operating income	8,280	8,224	12,654	7,192
Interest expense	596	1,005	1,192	1,869
Other income, net	(202)	(281)	(384)	(494)
Earnings before income taxes	7,886	7,500	11,846	5,817
Provision for income taxes	3,101	2,156	4,603	1,538
Non-controlling share of net income	-	16	-	38
Net earnings from continuing operations	4,785	5,328	7,243	4,241
Net earnings (loss) from discontinued operations	-	20	-	(227)
Net earnings	4,785	5,348	7,243	4,014
Retained earnings, beginning of period	56,861	42,321	54,403	43,655
Current period earnings	4,785	5,348	7,243	4,014
Retained earnings, end of period	61,646	47,669	61,646	47,669
Earnings per share from continuing operations				
- basic	0.34	0.39	0.52	0.31
- diluted	0.34	0.39	0.52	0.31
Net earnings per share - basic	0.34	0.39	0.52	0.29
Net earnings per share - diluted	0.34	0.39	0.52	0.29

Ridley Inc.

Consolidated Statement of Cash Flows (Unaudited) (U.S. \$ in thousands)	Three Months Ended Dec-31-05	Three Months Ended Dec-31-04	Six Months Ended Dec-31-05	Six Months Ended Dec-31-04
Operating activities				
Net earnings for the period.....	4,785	5,348	7,243	4,014
Add (deduct) items not affecting cash:				
Amortization of property, plant and equipment.....	1,932	1,931	3,929	3,823
Future income taxes	1,613	1,585	799	1,665
Loss (gain) on sale of property, plant and equipment.....	281	(11)	341	(32)
Asset impairment loss.....	-	-	-	1,305
Loss on discontinued assets	-	97	-	251
Other amortization	106	128	211	224
Loan impairments	527	674	527	674
Other items not affecting cash	76	(35)	80	13
	<u>9,320</u>	<u>9,717</u>	<u>13,130</u>	<u>11,937</u>
Net change in non-cash working capital balances related to operations:				
Accounts receivable.....	(1,788)	1,644	(5,211)	71
Inventories.....	143	(945)	(1,216)	642
Prepaid expenses.....	571	631	(984)	(738)
Accounts payable, accruals and other liabilities	17,247	9,231	19,807	7,852
Income taxes payable (recoverable)	1,159	431	3,354	(295)
Net cash from operating activities	<u>26,652</u>	<u>20,709</u>	<u>28,880</u>	<u>19,469</u>
Investing activities				
Proceeds on disposal of property, plant and equipment.....	232	399	261	424
Purchase of property, plant and equipment.....	(1,119)	(2,864)	(2,133)	(4,738)
Decrease in loans receivable	133	172	90	632
Business acquisitions (Note 3).....	-	(1,705)	(1,132)	(18,581)
Other investing activities	276	(39)	-	(39)
Net cash utilized for investing activities	<u>(478)</u>	<u>(4,037)</u>	<u>(2,914)</u>	<u>(22,302)</u>
Financing activities				
Repayment of short- and long-term debt.....	(20,736)	(19,113)	(28,062)	(25,422)
Proceeds from short- and long-term debt.....	1,022	3,085	9,001	26,954
Issuance of share capital	-	81	-	197
Net cash from (utilized for) financing activities	<u>(19,714)</u>	<u>(15,947)</u>	<u>(19,061)</u>	<u>1,729</u>
Effect of exchange rate changes on cash	(4)	43	35	52
Increase (decrease) in cash and short-term deposits	<u>6,456</u>	<u>768</u>	<u>6,940</u>	<u>(1,052)</u>
Net cash and short-term deposits – beginning	<u>1,764</u>	<u>1,981</u>	<u>1,280</u>	<u>3,801</u>
Net cash and short-term deposits – ending	<u>8,220</u>	<u>2,749</u>	<u>8,220</u>	<u>2,749</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Significant accounting policies and basis of presentation

These interim unaudited consolidated financial statements are based on accounting principles and practices consistent with those used in 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, 2005, as set out in the 2005 Annual Report. All amounts are in U.S. dollars unless otherwise stated.

2. Seasonality and commodity variability

The Company experiences seasonal variations in revenue, with revenue historically being strongest in the second and third quarters 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.

Commodity-based agricultural raw materials constitute a significant component of the Company's complete feed production. Fluctuating commodity prices can influence revenues as selling prices move in relation to changes in commodity prices.

3. Business acquisitions

On August 12, 2005, the Company purchased the remaining 49% share in McCauley Bros., Inc. (MBI) for an aggregate consideration of \$1.5 million. Consideration includes an initial cash payment of \$1.1 million and deferred payments totaling \$0.4 million payable in annual installments equally over a three-year period with accrued interest at 3.7% on the balance outstanding. MBI is located in Versailles, Kentucky and manufactures premium quality feeds and nutritional supplements for the equine market.

On November 1, 2004, the Company acquired the accounts receivable, inventory and specified transportation equipment of The Farmway Co-op, Inc.'s (Farmway) feed business located in Beloit, Kansas, for \$1.0 million.

On July 30, 2004, the Company acquired the assets of the livestock feed supplement business of Sweetlix, LLC (Sweetlix) for approximately \$17.6 million. Sweetlix includes three manufacturing facilities located in Montgomery, Alabama; Syracuse, Indiana; and Fort Worth, Texas.

Details of the net assets acquired on the basis of fair value, and the consideration given, were as follows:

	<u>2006</u> MBI (\$000)	<u>2005</u> Sweetlix (\$000)	<u>2005</u> Farmway (\$000)
Assets			
Accounts receivable	-	1,918	266
Inventory	-	2,216	540
Prepaid expenses	-	55	12
Property, plant & equipment	-	7,388	129
Other intangibles	-	4,050	47
Goodwill	1,049	3,386	-
	<u>1,049</u>	<u>19,013</u>	<u>994</u>
Liabilities			
Non-controlling interest	-	1,426	-
Acquisition value	(496)	-	-
	<u>1,545</u>	<u>17,587</u>	<u>994</u>
Cash paid	1,132		
Deferred payment	413		

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The above acquisitions were accounted for by the purchase method of accounting and the results of operations of these businesses are included in the consolidated financial statements from the date of acquisition. MBI and Sweetlix are reported within the Ridley Nutrition Solutions business segment and Farmway is included in the Ridley Feed Operations business segment.

The goodwill associated with the Sweetlix acquisition is fully deductible for income tax purposes. Goodwill acquired in the purchase of MBI is not deductible for income tax purposes.

4. Claim settlement

A claim settlement was received in the second quarter of fiscal 2006 from a supplier in the United States for \$0.7 million.

5. Statement of cash flow disclosures

The following amounts were paid on account of interest and taxes:

	Three Months Ended Dec-31-05 (\$000)	Three Months Ended Dec-31-04 (\$000)	Six Months Ended Dec-31-05 (\$000)	Six Months Ended Dec-31-04 (\$000)
Interest	641	937	1,271	1,736
Income taxes, net of refund	298	235	421	384

6. Other accrued liabilities

The Company has recorded estimated costs related to its non-contributory pension plans, post-retirement medical plan, and defined contribution plans, for the period ending December 31, 2005 and 2004, as follows:

	Three Months Ended Dec-31-05 (\$000)	Three Months Ended Dec-31-04 (\$000)	Six Months Ended Dec-31-05 (\$000)	Six Months Ended Dec-31-04 (\$000)
Non-contributory pension plan	333	213	666	516
Post-retirement medical costs	81	104	275	285
Defined contribution plan	305	324	646	623

7. Segment information

The Company's operations are conducted in two business segments: Ridley Feed Operations and Ridley Nutrition Solutions.

Ridley Feed Operations consists of U.S. and Canadian dry feed operations. It manufactures and distributes livestock feed to customers primarily in the prairie region of Canada and the U.S. Midwest. The products include a full range of complete feeds and supplements and are marketed through a dealership network as well as directly to agricultural producers.

Ridley Nutrition Solutions consists of low moisture block operations, specialty products, Sweetlix feed supplements and the equine nutrition operations. It manufactures and distributes low moisture blocks, specialty products, feed supplements and premium quality equine feeds primarily in the U.S. and Canada.

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Ridley Inc.

Segment Information (Unaudited) (U.S.\$ in thousands)	Three Months Ended Dec-31-05	Three Months Ended Dec-31-04	Six Months Ended Dec-31-05	Six Months Ended Dec-31-04
Revenue				
Ridley Feed Operations	111,265	105,629	212,276	208,499
Ridley Nutrition Solutions.....	27,049	24,286	46,508	39,257
Total revenue	<u>138,314</u>	<u>129,915</u>	<u>258,784</u>	<u>247,756</u>
Cost of sales				
Ridley Feed Operations	91,750	86,317	176,480	175,636
Ridley Nutrition Solutions.....	20,797	17,407	35,782	28,309
Total cost of sales.....	<u>112,547</u>	<u>103,724</u>	<u>212,262</u>	<u>203,945</u>
Gross profit	<u>25,767</u>	<u>26,191</u>	<u>46,522</u>	<u>43,811</u>
Operating expenses				
Ridley Feed Operations	12,125	13,800	24,434	28,782
Ridley Nutrition Solutions.....	3,256	3,191	6,395	6,074
Unallocated	2,106	976	3,039	1,763
Total operating expenses.....	<u>17,487</u>	<u>17,967</u>	<u>33,868</u>	<u>36,619</u>
Operating income				
Ridley Feed Operations	7,390	5,512	11,362	4,081
Ridley Nutrition Solutions.....	2,996	3,688	4,331	4,874
Unallocated	(2,106)	(976)	(3,039)	(1,763)
Total operating income	<u>8,280</u>	<u>8,224</u>	<u>12,654</u>	<u>7,192</u>

Revenue and operating income by country:

Revenue				
U.S.	104,283	98,768	194,751	186,289
Canada.....	34,031	31,147	64,033	61,467
Total revenue	<u>138,314</u>	<u>129,915</u>	<u>258,784</u>	<u>247,756</u>
Operating Income				
U.S.	7,903	7,976	11,655	9,308
Canada.....	2,483	1,224	4,038	(353)
Unallocated	(2,106)	(976)	(3,039)	(1,763)
Total operating income	<u>8,280</u>	<u>8,224</u>	<u>12,654</u>	<u>7,192</u>

8. Litigation/Contingency

Law suits filed in Alberta, Saskatchewan, Quebec and Ontario against the Canadian Federal Government also name Ridley Inc. and its majority shareholder, Ridley Corporation Limited of Sydney, Australia as co-defendants.

The proposed representative plaintiffs are seeking to certify class actions to include all Canadian cattle farmers who allegedly suffered damage as a result of the imposition of international bans on the export of Canadian beef and cattle following the May 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. The Ontario action seeks a national class to include affected cattle farmers residing in the six remaining Canadian provinces.

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Ridley Inc. believes that there is little prospect of any of its insurers responding favorably, and it will continue to fund the cost of the lawsuits from operating cash flow.

9. Stock option amendment

The board of directors of Ridley Inc. approved an amendment to Ridley Inc.'s stock option plan to provide option holders with a cash settlement alternative when exercising stock options. Under the amendment to the stock option plan, employees exercising options before the close of business on November 30, 2005 could elect to receive cash from the Company rather than acquiring shares and selling them into the open market. The Company recorded a \$0.1 million compensation expense based on the cash payment made by the Company to option holders who elected the cash settlement alternative. The Company introduced a long-term incentive plan in July 2003 with the intent that it would replace the stock option plan. As such, further grants of stock options have not and will not be made.

10. Comparative amounts

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



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