

NEWS RELEASE

RIDLEY Inc.

Trading symbol: RCL on The Toronto Stock Exchange

FOR IMMEDIATE RELEASE

Ridley Inc. Reports Financial Results for Fiscal 2009 Fourth Quarter

MANKATO, MINNESOTA and WINNIPEG, MANITOBA – (September 3, 2009) — Ridley Inc. (TSX: RCL) today reported its unaudited financial results for the fourth quarter and year ended June 30, 2009. All currency amounts are stated in U.S. dollars unless otherwise noted.

For the three months ended June 30, 2009, Ridley reported earnings before interest, taxes, and amortization of (EBITA (i)) of \$1.7 million compared to \$3.9 million last year. EBITA for the twelve months of fiscal 2009 was \$23.8 million compared to \$30.9 million for the same period last year.

“Despite much weaker results over the last half of the year, a great deal of hard work by our employees helped us finish an extraordinarily difficult year with EBITA that was within 25% of very positive results last year,” said Steve VanRoekel, Ridley’s President and CEO. “We’re pleased to report, as well, that a combination of lower ingredient prices and a focus on inventories and expenses allowed us to reduce our bank debt by \$8.8 million in fiscal 2009 to just \$10.6 million at year-end, our strongest balance sheet ever”, added Mr. VanRoekel.

Ridley’s reported results in the fourth quarter included an \$11.4 million, non-cash write-down of goodwill in the Company’s Canadian feed operations, which resulted in a net loss after taxes of \$8.4 million, or 60 cents loss per share, compared to net income of \$1.2 million, or 8 cents income per share, in the same period last year. For the twelve months of fiscal 2009 Ridley reported a net loss after taxes of \$1.3 million, or 9 cents loss per share, compared to net income of \$6.0 million, or 43 cents income per share, last year.

The write-down of goodwill followed from a fair value impairment test of intangible assets of the Company’s Canadian feed operations. Management’s projection of future earnings of that business unit reflected continuing difficulty for the beef and pork production economy in Western Canada. “While the underlying earnings in Canada were on par with last year, and the business continues to generate positive cash flow, the immediate outlook for livestock production remains extremely difficult. This accounting step has no impact on the operations of our business, and we continue to be positive longer-term about meat, milk, and egg production in Canada and our business performance there”, said Mr. VanRoekel.

Ridley’s performance in the fourth quarter of fiscal 2009 was adversely affected by reduced sales tonnage volumes across each of the operating divisions. However, the majority of the decline stemmed from Ridley Feed Operations (RFO), which markets complete feeds, supplements and premixes to core cattle, swine and poultry production markets in the United States and Canada. Demand was significantly affected this year by the combined effects of poor livestock and poultry producer economics, largely a result of relatively high feed prices and weak demand for meat and milk products. The impact on Ridley’s operating income was ameliorated somewhat by measures taken earlier in the year to restructure operations and reduce operating expenses.

SUMMARY OF RESULTS

The following summary data is presented to assist in understanding the fiscal 2009 fourth quarter results:

Summary of Results (\$ million except for EPS)	3 Months Ended June 30 2009	3 Months Ended June 30 2008	12 Months Ended June 30 2009	12 Months Ended June 30 2008
Revenue	\$129.8	\$159.4	\$603.4	\$633.5
Net earnings before exceptions	(0.2)	0.9	9.0	12.7
Exceptions, net of income taxes (noted below (ii))	(8.2)	0.3	(10.3)	(6.7)
Net earnings/(loss)	(8.4)	1.2	(1.3)	6.0
Diluted earnings/(loss) per share (EPS)	\$(0.60)	\$0.08	\$(0.09)	\$0.43
EBITA (i)	1.7	3.9	23.8	30.9

(i) EBITA – Operating income before amortization and exceptions. EBITA 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.

(ii) Exceptions – In the preceding summary data, net earnings from continuing operations were reported before exceptions. Those exceptions, which are mainly unusual or non-recurring items, are summarized below, net of income taxes:

Exceptions (Net of Income Taxes) (\$ million)	3 Months Ended June 30 2009	3 Months Ended June 30 2008	12 Months Ended June 30 2009	12 Months Ended June 30 2008
Gain on sale of facilities	0.1	0.5	0.3	1.1
Asset impairment loss	(0.1)	(0.2)	(1.0)	(0.8)
Claim settlement	-	-	-	(4.4)
Valuation reserve on non-capital tax loss carryforwards	1.4	-	1.4	(1.4)
Change in valuation reserve on capital losses	0.4	-	0.4	-
Restructuring charges	-	-	(1.5)	(1.1)
Goodwill impairment	(9.9)	-	(9.9)	-
Total Exceptions	(8.2)	0.3	(10.3)	(6.7)

Consolidated Fourth Quarter Results

Revenue in the fourth quarter of fiscal 2009 declined by 18.5% to \$129.8 million compared to \$159.4 million in the fourth quarter of 2008. 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 commodity prices. The revenue decline in the fourth quarter of 2009 was substantially due to lower volumes as measured in tons of feed products sold and lower raw material prices. In the fourth quarter of fiscal 2009, total sales volumes were 17.6% lower than the prior year period. While all divisions of the Company saw volume declines in the fourth quarter, most of the overall decline in volume was concentrated in the Ridley Feed Operations Division (RFO), particularly in U.S. operations. Softer demand for livestock and poultry feed continues to reflect the ongoing market uncertainty, lower farm gate prices to livestock and poultry producers, relatively high feed ingredient prices and declines in the size of cattle and swine herds and poultry flocks. The lower

value of the Canadian dollar in 2009 accounted for \$5.0 million of the \$29.6 million decline in revenue in the fourth quarter.

Consolidated gross profit in the fourth quarter of fiscal 2009 was \$15.9 million compared to \$21.4 million in the same period of fiscal 2008. As in each of the prior periods of this financial year, the decrease in gross profits was concentrated in RFO, the result of an 18.0% decline in tonnage volumes. RFI gross profit in the fourth quarter was also lower as a result of a 10% reduction in tonnage volumes from last year. RNS gross profits were higher in the fourth quarter as improved unit margins and operating efficiencies offset lower volumes.

Operating expenses include selling, general and administrative expenses, amortization of property, plant and equipment, asset impairments and goodwill impairment. Including the goodwill impairment of \$11.4 million, operating expenses in the fourth quarter were \$27.6 million. Excluding the goodwill impairment, operating expenses in the fourth quarter were \$16.2 million compared to \$19.3 million last year. Operating costs last year included legal and advisory expenses related to the strategic review process and business restructuring expenses in the Canadian operations. Selling and administration expenses were lower in fourth quarter this year as a result of cost reduction initiatives that have reduced expenses.

Income tax benefits of \$3.4 million were recorded in the fourth quarter of fiscal 2009 compared to an income tax expense of \$0.6 recorded in the same period last year. Income tax benefits would have been greater except the goodwill impairment recorded in the fourth quarter of fiscal 2009 includes \$5.8 million that is not recognized for tax purposes. This has a \$1.8 million unfavourable impact on income tax provisions. For income tax purposes, the tax basis of assets and liabilities associated with the Company's Canadian entities were reset upon the change in control of the majority shareholder in fiscal 2009. The corresponding increase in the tax basis of assets allows for larger tax depreciation deductions in future years, but creates taxable income in the current year. Offsetting the increase in taxable income is the utilization of capital loss and non-capital loss carryforward positions in which the Company had recorded valuation reserves. The recovery of these valuation reserves results in a \$1.9 million favourable impact on income tax provisions in the fourth quarter.

The net loss after taxes for the fourth quarter of fiscal 2009 was \$8.4 million (loss per share of \$0.60) compared with net earnings after taxes of \$1.2 million (earnings per share of \$0.08) in the fourth quarter of fiscal 2008.

Ridley's EBITA is comprised of operating income before amortization and unusual items, which include gain on sale of facilities, asset impairment loss, restructuring charges, claim settlement expense and goodwill impairment. EBITA in the fourth quarter of fiscal 2009 fell to \$1.7 million from \$3.9 million in the prior year.

Comprehensive income (or loss) is the change in Ridley's net assets that result from transactions, events and circumstances from sources other than investments by and/or distributions to Ridley's shareholders. Other comprehensive income (OCI) is comprised entirely of unrealized gains and losses on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency. Ridley recorded a comprehensive loss in the fourth quarter of fiscal 2009 of \$6.3 million comprised of a net loss of \$8.4 million as reported above, partly offset by \$2.1 million of unrealized gains on translation to U.S. currency of financial statements of related entities with foreign functional currency. In the fourth quarter of the prior year, Ridley recorded a gain of \$0.2 million on the translation to U.S. currency. Other changes in accounting policies noted in Ridley's interim financial statements had no material effect on its financial condition.

Twelve Months Results

Sales revenues for the full year of fiscal 2009 were \$603.4 million compared to \$633.5 million last year. The 4.7% decrease in revenue is the result of a 12.7% overall decline in sales volume for the

year offset by higher average selling prices earlier in the year when raw material prices were near record high levels. The RFO segment reported a \$48.8 million reduction in revenues as a result of a 13.7% decline in sales tonnage for the year. Each of the RNS and RFI segments reported increased revenues as higher average raw material costs forced selling prices higher.

Gross profit for the twelve months of fiscal 2009 was \$82.9 million or 12.7% lower than last year. The RFO segment recorded a 25% reduction in gross profit as a result of lower tonnage volumes and lower unit margins. Each of RFI and RNS recorded improved gross profits over last year as a result of good inventory positions, a favourable product mix and the contribution of the 4 Seasons block business acquired in the third quarter of 2008. Direct production and manufacturing overhead expenses included in gross profits were lower in fiscal 2009 as a result of lower volumes in the RFO segment and cost reduction initiatives.

Net operating expenses in the full year of fiscal 2009 were \$82.0 million, compared to \$79.4 million in the previous year. Operating expenses in fiscal 2009 included the goodwill impairment of \$11.4 million, restructuring costs of \$2.1 million, asset impairment losses of \$1.6 million, and gains of \$0.6 million recorded on the sale of property at closed facilities. Operating expenses in fiscal 2009 also included \$0.8 million related to legal and financial advisory services incurred in the strategic review process that the Company initiated in May 2008 and completed in the first quarter of fiscal 2009. In the prior year, operating expenses included a claim settlement expense of \$6.0 million for the BSE lawsuits, asset impairment losses of \$1.3 million for closed facilities, gains on the sale of closed facilities of 1.6 million. Operating expenses last year also included restructuring charges of \$0.7 million in Canadian operations and about \$0.8 million in advisory fees related to the strategic review process. Excluding these unusual items, operating expenses in fiscal year 2009 would have been \$66.7 million compared to \$72.2 million last year. Lower operating costs in fiscal 2009 reflect cost savings from restructuring initiatives and reduced discretionary expenditures.

The provision for income taxes in the full year of fiscal 2009 was \$0.5 million, compared with \$7.7 million recorded in fiscal 2008. The Company's effective income tax rate is a combination of tax rates applied to the results of operation reported by the U.S. and Canadian entities. In the normal course of business, the Company may take positions on its tax returns that taxing authorities could possibly challenge. Although the Company believes it has support for positions taken on its tax returns, the Company has recorded a liability of its best estimate of probable loss on certain transactions.

A number of factors affected the Company's effective income tax rate in fiscal 2009 and fiscal 2008, including:

- In both years, the Company's U.S. entities generated taxable income that was taxed at a higher rate than the Canadian statutory tax rate, while Canadian entities incurred taxable losses. Income tax benefits were recorded at rates applicable to the year in which the losses are expected to be utilized. Rates in future years are lower in comparison to the current year rate thereby, reducing the amount of income tax benefits recorded.
- The goodwill impairment recorded in the fourth quarter of fiscal 2009 includes \$5.8 million that is not recognized for tax purposes resulting in an adverse effect on income tax provisions of \$1.8 million.
- For income tax purposes, the tax basis of assets and liabilities associated with the Company's Canadian entities was reset upon the change in control of the majority shareholder in fiscal 2009. The corresponding increase in the tax basis of property, plant and equipment allows for larger tax depreciation deductions in future years, but creates taxable income in the current year. The resulting increase in taxable income was offset by utilization of existing tax loss carryforwards arising from prior capital losses and non-capital losses. In prior years, the Company took full valuation reserves on its capital loss carryforward positions, and in fiscal 2008 a \$1.4 million valuation reserve was taken on

non-capital loss carryforward positions. Therefore, a recovery associated with these valuation reserves was recognized in 2009. The net favourable impact of these recoveries on income tax provisions in 2009 was \$1.9 million. .

Net loss for the twelve months of fiscal 2009 was \$1.3 million (diluted loss per share of \$0.09) compared to earnings in fiscal 2008 of \$6.0 million (diluted earnings per share of \$0.43). The loss in fiscal 2009 reflects the \$11.4 million write-down of goodwill in Canadian operations while earnings in fiscal 2008 reflect the \$6.0 million settlement expense in the BSE class action lawsuit. EBITA for the full year, which excludes the goodwill write-down, the class action settlement expense and other unusual items, was \$23.8 million in fiscal 2009 compared with \$30.9 million in fiscal 2008.

The Company recorded a comprehensive loss for the twelve months of fiscal 2009 of \$4.2 million comprised of a net loss after taxes of \$1.3 million as reported above and \$2.9 million of unrealized losses on translation to U.S. currency of financial statements of related entities with foreign functional currency. Since the start of fiscal 2009, the Canadian dollar has weakened in relation to the U.S. dollar, thus significant unrealized translation losses are reflected in other comprehensive loss. During the same period of fiscal 2008, unrealized translation gains were reflected in other comprehensive income as the Canadian dollar strengthened in relation to the U.S. dollar.

Reconciliation of Non-GAAP Financial Measures

The Company reports its financial results according to Canadian GAAP. However, included in this report are certain non-GAAP financial measures and ratios which the Company's management believes provide useful information in measuring the financial performance and financial condition of the Company. These measures and ratios do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similar measures presented by other public companies, nor should they be construed as an alternative to other financial measures described by Canadian GAAP. Operating income is defined as net earnings before finance costs, interest income and provision for income taxes. Earnings before interest, taxes and amortization (EBITA) is defined as operating income before gain on sale of facilities, restructuring charges, asset impairment loss, goodwill impairment and claim settlement expense plus amortization.

The following is a reconciliation of EBITA to net earnings, the most closely comparable GAAP measure to EBITA:

Earnings before interest, taxes and amortization (EBITA) (\$ million)	3 Months Ended June 30 2009	3 Months Ended June 30 2008	12 Months Ended June 30 2009	12 Months Ended June 30 2008
Net earnings/(loss)	(8.4)	1.2	(1.3)	6.0
Provision for income taxes	(3.4)	0.6	0.5	7.7
Interest income	(0.1)	(0.1)	(0.4)	(0.7)
Finance costs	0.1	0.4	2.1	2.5
Operating income	(11.7)	2.2	0.9	15.5
Amortization of property, plant and equipment	2.1	2.1	8.3	8.1
Other amortization	(0.0)	(0.0)	0.2	0.1
Gain on sale of facilities	(0.3)	(0.7)	(0.6)	(1.6)
Asset impairment loss	0.2	0.3	1.6	1.3
Claim settlement	-	-	-	6.0
Restructuring charges	-	-	2.1	1.5
Goodwill impairment	11.4	-	11.4	-
Earnings before interest, taxes and amortization (EBITA)	1.7	3.9	23.8	30.9

SEGMENT RESULTS

The following is a summary of operating income/(loss) of the Company's divisions.

Operating Income (Loss) (\$ million)	3 Months Ended June 30 2009	3 Months Ended June 30 2008	12 Months Ended June 30 2009	12 Months Ended June 30 2008
Ridley Feed Operations (RFO)	(12.5)	3.2	(12.1)	13.9
Ridley Feed Ingredients (RFI)	1.4	2.2	8.7	7.6
Ridley Nutrition Solutions (RNS)	0.1	(0.8)	8.9	6.2
Corporate	(0.7)	(2.4)	(4.6)	(12.1)
Consolidated Operating Income	(11.7)	2.2	0.9	15.5

Ridley Feed Operations (RFO)

The Ridley Feed Operations (RFO) segment consists of full-line feed production facilities operating in the United States and Canada, producing and marketing products for the core animal nutrition market. Overall sales volumes for RFO were lower by 18.0% in the fourth quarter of fiscal 2009 compared to last year. For the twelve months of fiscal 2009, RFO volumes were lower by 13.7% compared to last year. The downturn in RFO volumes is reflective of continuing difficult economic conditions for livestock and poultry producers in both Canada and the United States. Canadian feed operations, which account for 35% of RFO sales tonnage, saw a 10.1% reduction in volumes for the year, while the U.S. operations of RFO recorded a 15.7% reduction in volumes.

Following from lower tonnage volumes and lower feed ingredient costs, RFO's sales revenues were 21.4% lower in the fourth quarter from last year, although only 9.6% lower for the year as a whole. The decline in revenues in Canadian operations for the year was proportionate to the decline in volumes. The impact of lower tonnage on revenues in U.S. operations was partly offset by higher ingredient prices as a result of the U.S. product mix, which has a higher concentration of micro-ingredients and is less dependent on feedgrains that have fallen more rapidly in price from record high levels last year. Average RFO selling prices per ton were 5.0% higher in fiscal 2009, while raw material costs were higher by approximately 8.5% compared to last year.

RFO gross profit of \$9.5 million in the fourth quarter this year was 35.5% lower than the same period last year due to a 23.8% reduction in unit margins combined with an 18.0% decline in sales volumes. For the twelve months of fiscal 2009, RFO gross profits of \$46.6 million were 25.0% lower than the prior year. Approximately half of the decline in gross profit for the year was due to a 15.2% reduction in unit margins while the remainder followed from a 13.7% reduction in volumes. U.S. feed operations of RFO accounted for 56% of the reduction in gross profit while Canadian feed operations accounted for the remaining 44%.

RFO reported operating expenses of \$22.0 million in the fourth quarter of fiscal 2009, including a goodwill impairment of \$11.4 million resulting from a revaluation of Canadian assets within the RFO Division. The impairment test of Canadian goodwill was based on management's long-range forecast of earnings for Canadian operations in which adjustment was made for the current adversity in the Canadian livestock industry from high feedgrain costs, low hog and cattle prices, and impediments to exports of Canadian pigs to U.S. processors. The goodwill impairment in the fourth quarter represents the entire balance remaining in goodwill attributable to Canadian operations. RFO operating expenses for the fiscal year 2009, excluding the goodwill impairment, were \$47.3 million, about \$0.9 million lower than the previous year, reflecting the results of a cost management initiative in fiscal 2009.

Ridley Feed Ingredients (RFI)

The Ridley Feed Ingredients (RFI) segment consists of feed-grade vitamin and trace mineral

premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients produced and distributed through a specialized facility in Illinois. RFI's revenues in the fourth quarter of fiscal 2009, including intersegment sales, declined by 10.9% from the same period last year to \$28.2 million, mainly as a result of lower sales volumes reflective of poor livestock and poultry economic conditions in the U.S. Unit margins were lower in the fourth quarter as a result of the easing of historically high feed ingredient prices from last year. Lower unit margins combined with lower tonnage resulted in a 27.0% reduction in RFI gross profit for the fourth quarter of fiscal 2009 relative to last year. Overhead costs were only slightly lower in the fourth quarter and, as a result, RFI recorded a reduction in operating income to \$1.4 million compared to \$2.2 million in the prior year.

For the twelve months of fiscal 2009, RFI recorded revenues of \$123.7 million (including sales of \$52.9 million to other operating divisions within Ridley) that were 9.7% ahead of last year. RFI sales tonnage for the full year of fiscal 2009 was lower than last year. As a consequence, the increase in revenue was mainly due to 20% higher average raw material costs for the full year relative to last year. Strong unit margins for much of the year prior to the fourth quarter contributed to an 8.8% overall improvement in gross profits for fiscal 2009. RFI operating expenses for fiscal 2009 were consistent with last year. As a result, RFI reported operating income of \$8.7 million for the full year of fiscal 2009 compared to \$7.6 million last year.

Ridley Nutrition Solutions (RNS)

Ridley Nutrition Solutions (RNS) includes feed supplement block operations and Ridley's equine nutrition business. Sales volumes in the fourth quarter of fiscal 2009 were lower by 12.4% from a year ago. Demand for feed supplement blocks remains soft this year as a result of difficult economic conditions for cattle producers. In contrast, sales tonnage of RNS specialty equine feeds continues to grow, and compared to the fourth quarter of last year, volumes were higher by 7.3%. For the full year of fiscal 2009, total RNS volumes were 8.9% lower than the previous year.

Mainly as a result of lower volumes, RNS revenues, including intersegment sales, decreased by 7.3% to \$19.7 million in the fourth quarter. The effect of lower volumes in the quarter was offset slightly by moderately higher selling prices reflecting improved product mix and higher raw material costs. RNS gross profits increased in the fourth quarter to \$4.1 million, a 13.5% improvement over the same period last year. Lower variable production costs, aided by a cost management initiative, contributed to the increase in RNS gross profits in the fourth quarter.

For the twelve months of fiscal 2009, RNS gross profits were \$24.5 million, an increase of 11.5% over last year, partly the result of a strong performance in the first quarter of fiscal 2009 when RNS benefited from good ingredient positions and a more favourable product mix than the prior year. Operating cost reductions and acquisition of the block manufacturing business of 4 Seasons Marketing in March 2008 also contributed to higher RNS gross profits in fiscal 2009.

Improved gross profits and effective control over overhead costs enabled RNS to report an increase in operating income for fiscal 2009 to \$8.9 million from \$6.2 million in the prior year.

Corporate

Corporate expenses include certain corporate management, board of directors' and other public company expenses, as well as legal expenses related to the BSE class action lawsuits. In the fourth quarter of fiscal 2009, corporate expenses were \$0.7 million compared to \$2.4 million last year. Corporate expenses last year included higher professional fees related to the Company's strategic review process initiated in the fourth quarter of fiscal 2008. Professional fees related to the BSE class action lawsuits were also lower this year following completion of a settlement agreement with the plaintiffs. Reduced employment expenses and employee travel as well as the results of a cost reduction initiative contributed to lower corporate overhead this year. For the

twelve months of fiscal 2009, corporate expenses were \$4.6 million. Corporate expenses of \$12.2 million in the full year of fiscal 2008 included a \$6 million claim settlement in the BSE class action lawsuits.

Selected Quarterly Financial Information

The following is a summary of Ridley's unaudited quarterly financial information:

(US \$ millions except per share data)	Fiscal Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	2009	169.3	163.6	140.7	129.8
	2008	139.8	167.0	167.3	159.4
	2007	124.4	144.0	136.9	126.3
Net earnings/(loss) (before unusual items (i) net of income taxes).	2009	2.7	3.0	3.5	(0.2)
	2008	2.0	4.5	5.2	0.9
	2007	1.8	4.3	3.0	1.2
Net earnings (loss)	2009	2.9	0.7	3.5	(8.4)
	2008	2.6	(2.8)	5.0	1.2
	2007	1.8	2.8	3.1	1.3
Net earnings (loss) per share (EPS)	2009	0.21	0.05	0.25	(0.60)
	2008	0.19	(0.21)	0.37	0.08
	2007	0.13	0.20	0.22	0.10

(i) Unusual items include: claim settlement, asset impairment loss, restructuring charges, gain on sale of facilities, and goodwill write-down.

Outstanding Share Data

Ridley's share capital consists of an unlimited number of common shares, with no par value. On December 11, 2008 the Company received approval from the Toronto Stock Exchange (the "TSX") to initiate a normal course issuer bid for the Company's shares through the facilities of the TSX. The shares repurchase program permits the Company to purchase for cancellation up to 692,965 common shares of the Company over the following twelve month period which commenced December 15, 2008. As at June 30, 2009, the Company had repurchased for cancellation 69,522 shares under the normal course issuer bid at an average purchase cost, excluding commissions, of C\$6.62 per share. The number of shares outstanding as at June 30, 2009, and as at September 2, 2009, was 13,789,778.

BSE Class Action Lawsuits

In April 2005, representative plaintiffs filed proposed class actions in Alberta, Saskatchewan, Ontario and Quebec against the Government of Canada and Ridley Inc. to include all Canadian cattle farmers who allegedly suffered damage as a result of international bans on trade in Canadian beef and cattle following the May 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. On February 5, 2008, Ridley announced that it had reached a settlement agreement with the representative plaintiffs in each of the class action lawsuits.

Under the settlement agreement, Ridley agreed to pay C\$6.0 million into a plaintiffs' settlement trust fund for the benefit of the plaintiffs in continuation of their litigation against the Government of Canada. In agreeing to the settlement, Ridley made no admission of liability or wrongdoing in the

matter. As a condition of the settlement, Ridley agreed to remain in the class action lawsuit to defend any claims against it for contribution and indemnity or any claim to apportion liability against Ridley. The plaintiffs also agreed to consent to the dismissal of the action against Ridley after the remaining parties (the Government of Canada or any subsequent party added to the action) judicially bind themselves not to make crossclaims, third party claims or to seek to apportion any negligence or liability against Ridley. The settlement agreement was finalized on January 30, 2009 when Ridley made payment of C\$6.0 million into the plaintiffs' trust fund, which effectively capped Ridley's exposure to the claims made by the plaintiffs to that amount.

On May 26, 2009, based on the plaintiffs' amended pleadings, the Government of Canada gave its undertaking to the Ontario court to not commence crossclaims or third party claims against Ridley for contribution or indemnity and to not apportion any negligence or liability against Ridley with respect to the losses claimed in the actions. On that basis, the Ontario Superior Court granted Ridley's motion for dismissal of the Ontario action as against Ridley on July 28, 2009. Ridley will seek to obtain a similar court order in each of the other provinces of Canada where the plaintiffs commenced their actions. If all jurisdictions grant the dismissal motion, Ridley will cease to be a party to the continuing class action lawsuits.

Forward-Looking Information

This report contains "forward-looking" information. The forward-looking information includes statements concerning Ridley'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 Ridley'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 Ridley's Annual Report. Unless otherwise required by applicable securities law, Ridley disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. Ridley cautions readers not to place undue reliance upon forward-looking statements.

OUTLOOK

The external drivers of Ridley's commercial feed business are strongly influenced by the economic dynamics of the North American livestock and poultry production industry. Excluding the Canadian quota controlled dairy and poultry sectors, North American livestock and poultry producers have struggled with profit margins below breakeven because of extraordinarily high feed costs in 2008 followed by lower farm gate prices in 2009. The severe global recession has led to a general contraction in consumer demand for meat, milk, and eggs while food exports have been reduced by the higher U.S. dollar.

Producers' poor financial returns are reflected in the continuing reduction in herd and flock sizes across most animal segments in the U.S. and Canada. Feed prices have come down from their peak of a year ago, a positive indicator for producers. However, there is little expectation of a resumption of growth in commercial feed demand until herd and flock liquidation eases the oversupply of livestock and poultry products.

As Ridley anticipates gradual improvement in the external drivers of its business, management will continue to focus on the needs of Ridley's customers, making customer satisfaction a top priority,

and helping producers find profitable feeding solutions in a challenging economic environment. Maintaining a balanced presence amongst each of the sectors of livestock and poultry production will remain important for diversifying Ridley's earnings across multiple geographies, animal species and product categories. Management will also continue to manage Ridley's balance sheet prudently to generate cash flows, preserve debt capacity, and be ready to capitalize on strategic opportunities that fit the Company's criteria.

The current normal course issuer bid to repurchase Ridley shares through the Toronto Stock Exchange will remain in place until December 14, 2009.

Ridley Inc., headquartered in Mankato, Minnesota and Winnipeg, Manitoba, is one of North America's leading commercial animal nutrition companies. Ridley employs more than 900 people in the United States and Canada in the manufacture and distribution of a full range of animal nutrition products under highly regarded trade names.

Ridley's common shares are listed on The Toronto Stock Exchange (trading symbol: RCL).

Additional information, including Ridley's Annual Information Form (AIF), is available at www.sedar.com. Visit our website at www.ridleyinc.com.

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CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, expressed in U.S. dollars)

RIDLEY Inc.

Three and twelve months ended June 30, 2009 and 2008

RIDLEY Inc.**Consolidated Balance Sheets***(Unaudited, expressed in thousands of U.S. dollars)*

	June 30 2009	June 30 2008
ASSETS		
Current assets		
Cash and short-term deposits	1,954	3,510
Accounts receivable	30,697	35,793
Inventories	48,153	69,901
Income taxes recoverable	1,867	468
Prepays and other current assets	721	1,453
Current portion of loans receivable	1,013	1,543
Assets held-for-sale <i>(Note 5)</i>	245	-
Future income tax benefit	1,545	2,934
Total current assets	86,195	115,602
Non-current assets		
Loans receivable, less current portion	603	677
Assets held-for-sale <i>(Note 5)</i>	598	730
Property, plant and equipment	88,604	94,100
Other assets	4,431	2,410
Other intangibles	4,379	4,553
Goodwill	37,982	50,595
Future income tax benefit	3,425	-
Total non-current assets	140,022	153,065
TOTAL ASSETS	226,217	268,667
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities		
Outstanding cheques in excess of bank balances	2,038	-
Short-term debt <i>(Note 13)</i>	364	900
Accounts payable and accrued liabilities	34,525	58,308
Advances from customers	1,716	2,271
Claim settlement provision <i>(Note 15)</i>	-	5,891
Current portion of long-term debt <i>(Note 13)</i>	52	89
Total current liabilities	38,695	67,459
Long-term liabilities		
Long-term debt, less current portion <i>(Note 13)</i>	10,190	18,466
Future income tax liability	24,427	24,715
Other accrued liabilities	3,892	4,524
Total long-term liabilities	38,509	47,705
Total liabilities	77,204	115,164
Shareholders' equity		
Share capital <i>(Note 14)</i>	57,315	57,604
Retained earnings	81,285	82,594
Accumulated other comprehensive income <i>(Note 4)</i>	10,413	13,305
	91,698	95,899
Total shareholders' equity	149,013	153,503
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	226,217	268,667

RIDLEY Inc.**Consolidated Statements of Earnings and Retained Earnings***(Unaudited, expressed in thousands of U.S. dollars)*

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
Revenue	129,804	159,366	603,413	633,457
Cost of sales	113,953	137,926	520,535	538,518
Gross profit	15,851	21,440	82,878	94,939
Operating (income) expenses				
Selling, general and administrative	13,859	17,163	60,197	64,330
Amortization of property, plant and equipment	2,088	2,094	8,263	8,131
Gain on sale of facilities <i>(Note 11)</i>	(277)	(730)	(593)	(1,559)
Research and development	266	404	948	1,151
Other amortization	44	44	174	115
Asset impairment loss <i>(Note 7)</i>	213	308	1,620	1,254
Goodwill impairment loss <i>(Note 8)</i>	11,375	-	11,375	-
Claim settlement <i>(Note 15)</i>	-	-	-	6,000
Net operating expenses	27,568	19,283	81,984	79,422
Operating income (loss)	(11,717)	2,157	894	15,517
Finance costs	(113)	(443)	(2,108)	(2,516)
Interest income	60	105	448	694
Earnings (loss) before income taxes	(11,770)	1,819	(766)	13,695
Provision for income taxes <i>(Note 16)</i>	(3,410)	623	515	7,703
Net earnings (loss) for the period	(8,360)	1,196	(1,281)	5,992
Retained earnings, beginning of period	89,654	81,398	82,594	76,602
Net earnings (loss) for the period	(8,360)	1,196	(1,281)	5,992
Excess over stated value of shares purchased for cancellation <i>(Note 14)</i>	(9)	-	(28)	-
Retained earnings, end of period	81,285	82,594	81,285	82,594
Net earnings (loss) per share, basic and diluted	(0.60)	0.08	(0.09)	0.43

Consolidated Statements of Comprehensive Income*(Unaudited, expressed in thousands of U.S. dollars)*

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
Net earnings (loss)	(8,360)	1,196	(1,281)	5,992
Unrealized gains (losses) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency <i>(Note 4)</i>	2,054	229	(2,892)	1,648
Other comprehensive income (loss)	2,054	229	(2,892)	1,648
Comprehensive income (loss)	(6,306)	1,425	(4,173)	7,640

RIDLEY Inc.**Consolidated Statements of Cash Flows***(Unaudited, expressed in thousands of U.S. dollars)*

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
Cash flow from operating activities				
Net earnings for the period	(8,360)	1,196	(1,281)	5,992
Add (deduct) items not affecting cash:				
Amortization of property, plant and equipment	2,088	2,094	8,263	8,131
Future income taxes	(2,495)	63	(2,529)	416
Goodwill impairment loss (Note 8)	11,375	-	11,375	-
Asset impairment loss (Note 7)	213	308	1,620	1,254
Claim settlement (Note 15)	-	-	-	6,000
Loss on sale of property, plant and equipment	289	200	368	176
Gain on sale of facilities (Note 11)	(277)	(730)	(593)	(1,559)
Other amortization	44	44	174	115
Other items not affecting cash	55	50	319	219
	2,932	3,225	17,716	20,744
Net change in non-cash working capital balances related to operations:				
Accounts receivable	3,266	3,722	3,581	(3,515)
Inventories	2,294	(10,650)	19,731	(17,841)
Prepays and other current assets	397	487	163	61
Accounts payable and accrued liabilities	1,927	21,357	(24,679)	18,664
Claim settlement provision (Note 15)	-	-	(4,877)	-
Advances from customers	(1,314)	(2,419)	(515)	(845)
Income taxes payable and recoverable	(1,351)	(1,310)	(1,386)	(1,453)
Net cash from operating activities	8,151	14,412	9,734	15,815
Cash flow from investing activities				
Proceeds on disposal of facilities, property, plant and equipment	752	1,490	1,349	4,369
Purchase of property, plant and equipment	(2,367)	(3,041)	(8,612)	(10,521)
Decrease in loans receivable, net	398	815	541	1,437
Business acquisitions (Note 6)	-	(23)	(137)	(1,249)
Net cash utilized for investing activities	(1,217)	(759)	(6,859)	(5,964)
Cash flow from financing activities				
Repayment of short- and long-term debt	(8,435)	(10,148)	(45,621)	(41,953)
Proceeds from short- and long-term debt	373	4,508	39,729	33,579
Payment of finance costs	(14)	-	(430)	-
Purchases of share capital for cancellation (Note 14)	(184)	-	(385)	-
Net cash utilized for financing activities	(8,260)	(5,640)	(6,707)	(8,374)
Effect of exchange rate changes on cash	(45)	(54)	238	(10)
Increase (decrease) in cash and cash equivalents	(1,371)	7,959	(3,594)	1,467
Cash and cash equivalents - beginning of period	1,287	(4,449)	3,510	2,043
Cash and cash equivalents - end of period	(84)	3,510	(84)	3,510
Cash and cash equivalents are comprised of:				
Cash and short-term deposits	1,954	3,510	1,954	3,510
Outstanding cheques in excess of bank balances	(2,038)	-	(2,038)	-
	(84)	3,510	(84)	3,510

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, with the exception of the changes in accounting policies as outlined in Note 2. 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, 2008, as set out in the 2008 Annual Report. All amounts are in U.S. dollars unless otherwise stated.

2. Changes in accounting policies

Current changes

Inventories

On July 1, 2008, the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3031 - Inventories. This standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period. The adoption of this standard resulted in an immaterial increase in the opening inventory balance. As a result, the Company has recorded the entire adjustment in the current period earnings.

Assessing going concerns

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400 - General Standards of Financial Statement Presentation, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company adopted the new standard on July 1, 2008. The adoption of this section did not impact these consolidated financial statements.

Future changes

Goodwill and intangible assets

CICA Handbook Section 3064 – Goodwill and Intangibles will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. Management anticipates that there will be no significant impact of adopting this policy.

Business combinations

The CICA issued Handbook Section 1582 - Business Combinations which replaces Section 1581 – Business Combinations; and Sections 1601 - Consolidated Financial Statements and 1602 - Non-Controlling Interests together replace Section 1600 – Consolidated Financial Statements effective January 1, 2011. Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs will be expensed which currently are capitalized as part of the purchase price.

Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings for each period until settled. Currently, only the contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill will be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination.

International financial reporting standards

The Canadian Accounting Standards Board (AcSB) requires all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The impact of the adoption of IFRS on the consolidated financial statements of the Company may be significant and, as such, the Company has begun developing its convergence plan to transition its financial statement reporting, presentation and disclosure for IFRS to meet its first quarter fiscal 2012 deadline. The Company continues to evaluate the potential impact of IFRS on its consolidated financial statements. The process will be on going as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

3. Seasonality and commodity variability

The Company experiences seasonal variations in revenue. Historically, revenue is strongest in the second and third fiscal quarters when the usually cold October through March weather creates increased demand for beef feed, 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 and associated cost of sales as selling prices and product costs move in relation to changes in commodity prices.

4. Accumulated other comprehensive income (loss)

	Three Months Ended June 30		Twelve Months Ended June 30	
	2009 (\$000)	2008 (\$000)	2009 (\$000)	2008 (\$000)
Balance, beginning of period	8,359	13,076	13,305	11,657
Other comprehensive income (loss)	2,054	229	(2,892)	1,648
Balance, end of period	10,413	13,305	10,413	13,305

The accumulated balances of other comprehensive income are comprised entirely of the unrealized gain on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

5. Assets held-for-sale

Assets held-for-sale as of June 30, 2009 consists of land, buildings and equipment of closed production facilities in Syracuse, Indiana, Selma, North Carolina and Lethbridge, Alberta. Impairment losses were recorded on these assets in fiscal 2009 and fiscal 2008 (note 7) reducing their respective carrying values to fair value. Their total carrying value of \$843,000 approximates fair value as of June 30, 2009. The Lethbridge property is expected to be sold in early fiscal 2010; accordingly, its value of \$245,000 is classified as a current asset.

Assets held-for-sale as of June 30, 2008 consists of land, buildings and equipment of the closed plant in Syracuse, Indiana. The estimated fair value of these assets at June 30, 2008 exceeded its carrying value of \$730,000.

6. Business acquisitions

There were no business acquisitions in fiscal 2009.

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On March 10, 2008, the Company acquired substantially all of the assets and assumed the outstanding debt of 4 Seasons Marketing, LLC ("4 Seasons") and its affiliate, Ultralyx, Inc., for cash consideration of \$1,111,000 and deferred consideration of \$375,000. The deferred consideration is payable at varying amounts over a five-year period. The purchase price was allocated to assets and liabilities based on their estimated fair value at the closing date. The acquired business is a manufacturer and distributor of feed supplement blocks operating a single plant in Flemingsburg, Kentucky. This operation was recorded under the Ridley Nutrition Solutions segment.

This acquisition was accounted for using the purchase method of accounting, and the results of its operation were included in the consolidated financial statements from the date of acquisition. Details of the acquired assets and liabilities are as follows:

	(\$000)
Assets	
Accounts receivable	1,005
Inventories	780
Property, plant and equipment	2,414
Other intangibles	790
	<u>4,989</u>
Liabilities	
Accounts payable and accrued liabilities	1,618
Long-term debt	1,885
	<u>3,503</u>
Net assets acquired	<u>1,486</u>
Cash consideration	1,111
Deferred consideration	375
Total consideration	<u>1,486</u>

Other intangibles acquired include non-compete agreements valued at \$225,000 and technology valued at \$565,000 with amortization periods of five years and fifteen years, respectively.

Installments of \$137,000 per year related to a fiscal 2006 acquisition were paid in fiscal 2009 and 2008.

7. Asset impairment loss and restructuring costs

In fiscal 2009, operating results of the Ridley Feed Operations segment includes a \$1,407,000 (\$851,000 after tax) asset impairment loss from the closure of a plant in Selma, North Carolina. Current and forecast production volumes were insufficient to maintain long-term profitability at this facility. The plant is classified as assets held-for-sale.

In fiscal 2009, the Ridley Feed Operations segment incurred and paid costs of \$2,090,000 as part of a cost reduction plan. These costs consist of retail store inventory obsolescence of \$231,000 and plant closure expenses of \$107,000 recorded in cost of sales and severance of \$1,752,000 recorded in selling, general and administrative expense.

In fiscal 2009, the Company recorded an asset impairment loss on its Syracuse Indiana property of \$213,000 (\$129,000 after tax). This is in addition to the impairment charge of \$542,000 (\$328,000 after tax) on equipment and buildings in fiscal 2008. The production from this facility was transferred to the newly purchased plant in Flemingsburg, Kentucky (note 6) in fiscal 2008, and deteriorating economic conditions in the Syracuse area resulted in a further reduction in the fair value of this property. The charge is reflected in the results of the Ridley Nutrition Solutions segment. The associated land, buildings and portion of equipment is expected to be sold in the future and is classified as assets held-for-sale.

In fiscal 2008, the Company recorded a \$712,000 (\$491,000 after tax) impairment charge from the closure of a plant in Lethbridge, Alberta. The loss of customers and sales volume at the plant led to the consolidation with another western Canadian plant. This cost is recorded within the Ridley Feed Operations segment. A portion of the associated land and buildings were sold in fiscal 2008 for a gain of \$730,000 (note 11). The remaining assets are classified as assets held-for-sale.

In fiscal 2008, the Ridley Feed Operations segment incurred and paid costs of \$1,449,000 related to restructuring of its Canadian operations in response to lower sales volumes due to difficult market conditions and increased costs in Canada. These costs consist of inventory obsolescence of \$532,000 and severance of \$200,000 recorded in cost of sales, and severance of \$600,000 and other expenses of \$117,000 recorded in selling, general and administrative expense.

8. Goodwill

The Company performs annual testing for impairment of goodwill after its annual budgeting process. In the fourth quarter of fiscal 2009 the Company recognized an impairment loss of \$11,375,000 related to the Canadian feed reporting unit. Livestock producer economics has been aggravated by high prices for feed grains, and a recession in the global economy that weakened demand for meat products. The unusually poor producer economics has led to a significant reduction in cattle and swineherds with the resultant effect of reduced demand for commercial feed products and higher producer credit defaults. The situation in Canada is more severe where producers rely more on world markets and face impediments to export swine into the U.S. Based on this trend, earnings forecast for future years were revised. The estimated fair value of this reporting unit using the expected present value of forecast cash flows is less than its carrying value; accordingly, a write-down of the entire amount of goodwill of this reporting unit was recorded.

9. Statement of cash flow disclosures

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

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Balance, beginning of period	202	414	1,586	2,248
Other comprehensive income (loss)	399	1,900	4,324	8,727

10. Pension expense

The Company's recorded estimated costs related to its non-contributory pension plans and defined contribution plans are as follows:

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Non-contributory pension plan	194	346	1,068	1,380
Defined contribution plan	312	351	1,456	1,405

11. Gain on sale of facilities

Operating results of the Ridley Feed Operations segment in fiscal 2009 include pre-tax gains of \$549,000 related to the sale of land in Lacombe, Alberta. Net proceeds on this sale were \$865,000. They also

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include pre-tax gains of \$44,000 from the sale of a retail store in Rimbey, Alberta. Net proceeds on this sale were \$236,000.

Operating results of the Ridley Feed Operations segment in fiscal 2008 include pre-tax gains of \$829,000 related to the sale of a premix facility and a fabrication shop, both of which are located in Winnipeg, Manitoba, as well as \$730,000 from the sale of land and buildings after the closure of a plant in Lethbridge, Alberta. Net proceeds on these sales were \$3,867,000.

12. Financial instruments

The following table presents the carrying amount and the fair value of the Company's financial instruments. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

As of June 30, 2009	Assets (Liabilities)		Financial Instruments Category
	Carrying Value	Fair Value	
Cash and short-term deposits	1,954	1,954	Held for trading
Accounts receivable	30,697	30,697	Loans & receivables
Loans receivable	1,616	1,616	Loans & receivables
Financial derivative instruments included in accounts payable and accrued liabilities	(381)	(381)	Held for trading
Outstanding cheques in excess of bank balance	(2,038)	(2,038)	Other liabilities
Accounts payable and accrued liabilities	(34,525)	(34,525)	Other liabilities
Advances from customers	(1,716)	(1,716)	Other liabilities
Short-term and Long-term debt	(10,606)	(10,606)	Other liabilities
Financial liabilities included in other accrued liabilities	(451)	(451)	Other liabilities

In the three and twelve months ended June 30, 2009, the Company recorded a charge of \$223,000 and \$895,000 (2008 – credit of \$456,000 and \$851,000) to cost of goods sold associated with market valuations of derivatives, respectively. In the three and twelve months ended June 30, 2009, the Company recorded a credit of \$122,000 and a charge of \$218,000 (2008 – credit of \$58,000 and charge of \$197,000), to finance costs associated with market valuations of derivatives, respectively.

13. Debt facilities

As a result of the change in the Company's majority shareholder, the Company terminated its North American loan facility which was subordinated and bound to the general loan facility held by its former parent (Note 18). It was replaced by a new credit facility agreement on November 20, 2008 with The Bank of Nova Scotia that has a term expiring on October 31, 2011. This credit facility agreement provides a revolving term facility up to C\$30,000,000 available in Bankers Acceptances based advances or U.S. dollar equivalent as London Inter-Bank Offer Rate (LIBOR) based advances and a revolving term facility of US\$20,000,000 available in LIBOR based advances. All facilities are collaterally secured by a first-ranking general security agreement covering all of the Company's property. The credit agreement includes covenants specifying maximum funded debt, minimum interest coverage and minimum tangible net worth. Interest rates are based on Bankers Acceptances rates plus a margin or LIBOR rates plus a margin. The Company also pays a standby fee. Margins and fees are based on the funded debt ratio. Interest rates including margin on borrowing from the new facility ranged from 1.5% to 3.5% from November 20, 2008 through June 30, 2009. The credit agreement retains the existing C\$5,000,000

secured overdraft line of credit, payable on demand. The Company's unsecured open lines of credit and economic development loan are unaffected by the new credit agreement.

14. Normal course issuer bid

On December 11, 2008 the Company received approval from the Toronto Stock Exchange to initiate a normal course issuer bid ("Bid"). The Bid permits the Company to purchase for cancellation up to 692,965 common shares of the Company. This represents 5% of the Company's issued and outstanding shares as at November 28, 2008. Daily purchases will be limited to 3,645 common shares until March 31, 2009 and thereafter 1,822 common shares, other than block purchases. The Bid terminates on December 14, 2009 or earlier date as the Company may complete its purchases or otherwise terminate the Bid. The Company will pay market price at the time any shares are acquired under the Bid.

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Authorized				
Unlimited number of common shares, no par value				
Share capital				
Common stock beginning of period	57,448	57,604	57,604	57,604
Purchases for cancellation	(133)	-	(289)	-
Common stock end of period	57,315	57,604	57,315	57,604

	Three Months Ended		Twelve Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
Shares outstanding				
Common stock beginning of period	13,821,900	13,859,300	13,859,300	13,859,300
Purchases for cancellation	(32,122)	-	(69,522)	-
Common stock end of period	13,789,778	13,859,300	13,789,778	13,859,300

15. Litigation

In April 2005, representative plaintiffs filed proposed class actions in Alberta, Saskatchewan, Ontario and Quebec against the Government of Canada and Ridley Inc. to include all Canadian cattle farmers who allegedly suffered damages as a result of international bans on trade in Canadian beef and cattle following the May 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. On February 5, 2008, Ridley announced that it had reached a settlement agreement with the representative plaintiffs in each of the class action lawsuits.

Under the settlement agreement, Ridley agreed to pay C\$6,000,000 into a plaintiffs' settlement trust fund for the benefit of the plaintiffs in continuation of their litigation against the Government of Canada. In agreeing to the settlement, Ridley made no admission of liability or wrongdoing in the matter. As a condition of the settlement, Ridley agreed to remain in the class action lawsuit to defend any claims against it for contribution and indemnity or any claim to apportion liability against Ridley. The plaintiffs also agreed to consent to the dismissal of the action against Ridley after the remaining parties (the Government of Canada or any subsequent party added to the action) judicially bind themselves not to make crossclaims, third party claims or to seek to apportion any negligence or liability against Ridley. The settlement agreement was finalized on January 30, 2009 when Ridley made payment of C\$6,000,000 into the plaintiffs' trust fund, which effectively capped Ridley's exposure to the claims made by the plaintiffs to that amount.

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On May 26, 2009, based on the plaintiffs' amended pleadings, the Government of Canada gave its undertaking to the Ontario court to not commence crossclaims or third party claims against Ridley for contribution or indemnity and to not apportion any negligence or liability against Ridley with respect to the losses claimed in the actions. On that basis, the Ontario Superior Court granted Ridley's motion for dismissal of the Ontario action as against Ridley on July 28, 2009. Ridley will seek to obtain a similar court order in each of the other provinces of Canada where the plaintiffs commenced their actions. If all jurisdictions grant the dismissal motion, Ridley will cease to be a party to the continuing class action lawsuits.

16. Income taxes

The Company's income tax expense is impacted by the geographic distribution of income and losses. U.S. entities generated taxable income that is taxed at a higher rate than the Canadian statutory tax rate. The Canadian taxable entities incurred taxable losses in fiscal 2009 and fiscal 2008 to which the income tax benefit is recorded at rates applicable to the year the losses are expected to be utilized. Since future years' rates are lower in comparison to the current year rate, an unfavourable effect of \$365,000 in fiscal 2009 and \$605,000 in fiscal 2008 are reflected in the provision for income taxes.

The goodwill impairment recorded in the fourth quarter of fiscal 2009 includes \$5,830,000 that is not recognized for tax purposes; this had an unfavourable impact on income tax provisions of \$1,759,000.

In fiscal 2009, upon the change in control of Ridley's majority shareholder (note 18), the Company for income tax purposes was allowed to fair value the assets and liabilities associated with its Canadian entities. The resulting increase in taxable income was offset by utilizing exiting non-capital loss and capital loss carry forward positions; however, a large portion of the capital losses were used to increase the tax basis of investments that are not recognized for accounting purposes. In prior years, the Company took full valuation reserves on its capital loss carryforward positions, and in fiscal 2008 a partial valuation reserve on non-capital loss carryforward positions; therefore the Company was able to recognize a recovery associated with these valuation reserves. The result increases the tax basis of property, plant and equipment; therefore, larger capital cost allowances (tax depreciation) will be available in future years. A net favourable impact of \$1,860,000 on income tax provisions for these items was recorded in the fourth quarter of fiscal 2009.

Income tax provisions in fiscal 2008 include valuation reserves of \$1,440,000 in respect to non-capital tax loss carry-forwards that are set to expire by 2010. Key factors in establishing these reserves are material losses in the Canadian tax entity due to the claim settlement, restructuring costs and uncertainty surrounding the short-term outlook for Canadian operations.

17. Segment information

The Company's operations are conducted in four reportable segments as: Ridley Feed Operations, Ridley Feed Ingredients, Ridley Nutrition Solutions, and Corporate. The Company reports information about its operating segments based on the way management organizes and reports the segments within the organization for making operating decisions and evaluating performance.

Ridley Feed Operations (RFO), which consists of both the U.S. and Canadian feed operations, manufactures and distributes livestock feed products to customers primarily in the prairie region of Canada and the U.S. Midwest. RFO products include a full range of complete feeds and supplements that are marketed through a dealership network as well as directly to livestock producers.

Ridley Feed Ingredients (RFI) manufactures and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients.

Ridley Nutrition Solutions (RNS) includes the feed supplement block operations and equine nutrition business. RNS produces a range of block supplements including low moisture, pressed, compressed,

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composite and poured blocks. The RNS equine nutrition business operates dedicated equine feed production facilities.

Corporate contains no substantial revenue and is comprised of corporate costs and other activities not specific to reportable segments and is shown separately.

The Company evaluates performance based on operating income. Operating income is defined as earnings before finance costs, interest income, and income taxes.

An analysis of segment information is as follows:

Three months ended June 30, 2009	RFO (\$000)	RFI (\$000)	RNS (\$000)	Corporate & Eliminations (\$000)	Consolidated (\$000)
Revenue					
Revenue from					
unaffiliated customers	99,888	16,613	13,303	-	129,804
Intersegment revenues	1,478	11,609	6,387	(19,474)	-
Revenue	101,366	28,222	19,690	(19,474)	129,804
Cost of sales	91,829	25,971	15,627	(19,474)	113,953
Gross profit	9,537	2,251	4,063	-	15,851
Net operating expenses	22,002	850	3,979	737	27,568
Operating income (loss)	(12,465)	1,401	84	(737)	(11,717)

Three months ended June 30, 2008	RFO (\$000)	RFI (\$000)	RNS (\$000)	Corporate & Eliminations (\$000)	Consolidated (\$000)
Revenue					
Revenue from					
unaffiliated customers	127,080	18,209	14,077	-	159,366
Intersegment revenues	1,643	13,455	7,158	(22,256)	-
Revenue	128,723	31,664	21,235	(22,256)	159,366
Cost of sales	113,946	28,582	17,654	(22,256)	137,926
Gross profit	14,777	3,082	3,581	-	21,440
Net operating expenses	11,587	879	4,377	2,440	19,283
Operating income (loss)	3,190	2,203	(796)	(2,440)	2,157

RIDLEY Inc.
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Twelve months ended June 30, 2009	RFO (\$000)	RFI (\$000)	RNS (\$000)	Corporate & Eliminations (\$000)	Consolidated (\$000)
Revenue					
Revenue from					
unaffiliated customers	453,721	70,852	78,840	-	603,413
Intersegment revenues	6,228	52,883	33,892	(93,003)	-
Revenue	459,949	123,735	112,732	(93,003)	603,413
Cost of sales	413,362	111,932	88,244	(93,003)	520,535
Gross profit	46,587	11,803	24,488	-	82,878
Net operating expenses	58,710	3,088	15,597	4,589	81,984
Operating income (loss)	(12,123)	8,715	8,891	(4,589)	894

Twelve months ended June 30, 2008	RFO (\$000)	RFI (\$000)	RNS (\$000)	Corporate & Eliminations (\$000)	Consolidated (\$000)
Revenue					
Revenue from					
unaffiliated customers	503,011	62,906	67,540	-	633,457
Intersegment revenues	5,721	49,902	34,767	(90,390)	-
Revenue	508,732	112,808	102,307	(90,390)	633,457
Cost of sales	446,591	101,964	80,353	(90,390)	538,518
Gross profit	62,141	10,844	21,954	-	94,939
Net operating expenses	48,253	3,236	15,753	12,180	79,422
Operating income (loss)	13,888	7,608	6,201	(12,180)	15,517

Balances as of: June 30, 2009	RFO (\$000)	RFI (\$000)	RNS (\$000)	Corporate (\$000)	Consolidated (\$000)
Total assets	129,679	23,878	67,357	5,303	226,217
Property, plant & equipment	61,086	3,350	24,151	17	88,604
Goodwill	12,293	4,327	21,362	-	37,982

Balances as of: June 30, 2008	RFO (\$000)	RFI (\$000)	RNS (\$000)	Corporate (\$000)	Consolidated (\$000)
Total assets	162,299	31,417	67,786	7,165	268,667
Property, plant & equipment	67,400	2,864	23,833	3	94,100
Goodwill	24,906	4,327	21,362	-	50,595

	Three Months Ended June 30		Twelve Months Ended June 30	
	2009 (\$000)	2008 (\$000)	2009 (\$000)	2008 (\$000)
Revenue from unaffiliated customers				
U.S.		99,699	117,442	473,380
Canada		30,105	41,924	130,033
Total		129,804	159,366	603,413
				633,457

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	June 30 2009 (\$000)	June 30 2008 (\$000)
Property, plant and equipment		
U.S.	69,182	70,080
Canada	19,422	24,020
Total	88,604	94,100
Goodwill		
U.S.	37,982	37,982
Canada	-	12,613
Total	37,982	50,595

18. Change in majority shareholder

On November 4, 2008, the Company's 68.8% controlling shareholder, Ridley Corporation Limited ("Ridley Australia"), sold its investment in the Company to Fairfax Financial Holdings ("Fairfax") Limited for a purchase price of C\$8.50 per share. The agreement between Ridley Australia and Fairfax was a private sale agreement to which the Company was not a party.

19. Comparative amounts

The comparative amounts have been reclassified to conform to the current period presentation.