

NEWS RELEASE

RIDLEY Inc.

Trading symbol: RCL on The Toronto Stock Exchange

FOR IMMEDIATE RELEASE

Ridley Inc. Reports Financial Results for Fiscal 2010 Second Quarter

MANKATO, MINNESOTA and WINNIPEG, MANITOBA – (February 9, 2010) — Ridley Inc. (TSX: RCL) today reported its financial results for the second quarter of fiscal 2010, the three months ended December 31, 2009. All currency amounts are stated in U.S. dollars unless otherwise noted.

For the three months ended December 31, 2009, Ridley earned \$5.0 million after income taxes (37 cents per share) compared to \$0.7 million (5 cents per share) last year. Earnings before interest, taxes and amortization (EBITA (i)) for the second quarter of fiscal 2010 were \$10.2 million compared to \$7.3 million last year.

Several factors contributed to Ridley's earnings growth in the second quarter of fiscal 2010. Unit margins improved over last year with an improved product mix and the stabilization of raw material prices this year. Operating cost structures improved as a result of efficiency initiatives undertaken last year. Colder weather with good snow cover throughout much of the trade area was favourable to beef feed volumes.

Ridley Feed Operations (RFO) was the most improved operating segment in the second quarter with an increase in operating income of \$5.9 million over last year. U.S. feed operations accounted for most of this increase while Canadian operations recorded a modest profit this year compared to a loss last year. Ridley Nutrition Solutions (RNS) performed as expected, increasing operating income by \$0.9 million, aided by favourable weather conditions. Operating income at Ridley Feed Ingredients (RFI) fell \$1.1 million from last year due to the absence of raw material pricing gains realized last year.

“Considering the difficult economic environment for livestock and poultry producers, we are satisfied with the results of the second quarter and appreciative of the hard work of our employees in achieving those results, but we remain cautious in our outlook for the remainder of the year”, said Steve VanRoekel, President & CEO of Ridley Inc. “There are indications that producer profitability is improving but animal numbers will remain low in many sectors. While that happens, a strong balance sheet puts us on a solid footing to move forward with new business development initiatives that will position Ridley for future growth”, added VanRoekel.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis as of February 9, 2010 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 2010 second quarter results:

Summary of Results (\$ million except for EPS)	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
Revenue	150.0	163.6	285.7	332.9
Gross profit	23.5	22.1	40.9	45.2
Operating income	8.1	1.8	10.4	7.0
Net earnings before exceptions	5.0	3.0	6.1	5.7
Exceptions, net of income taxes (noted below (ii))	-	(2.3)	-	(2.1)
Net earnings	5.0	0.7	6.1	3.6
Diluted earnings per share (EPS)	\$0.37	\$0.05	\$0.45	\$0.26
EBITA (i)	10.2	7.3	14.6	14.4

(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 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)	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
Gain on sale of facilities	-	-	-	0.2
Asset impairment loss	-	(0.9)	-	(0.9)
Restructuring charges	-	(1.5)	-	(1.5)
Total Exceptions	-	(2.3)	-	(2.1)

Consolidated Second Quarter Results

Revenue of \$150.0 million in the second quarter of fiscal 2010 was lower by 8.3% from the same period last year. A comparison of revenue 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 second quarter of 2010 was due to lower volumes and raw material prices. Total sales volumes, as measured in tons of feed products sold, were 4.8% lower than the prior year. The decline in volume occurred in the Ridley Feed Operations (RFO) segment, particularly in Canadian feed operations where poor producer profitability has led to reduced animal numbers.

Consolidated gross profit in the second quarter of fiscal 2010 was \$23.5 million compared to \$22.1 million in the same period of fiscal 2009. Gross profits were higher mainly in the U.S. feed operations of RFO, which benefited from more stable raw material prices and a favourable product mix, and in Ridley Nutrition Solutions (RNS), which generated improved volumes.

Operating expenses, which include selling, general and administrative expenses as well as amortization of property, plant and equipment, were \$15.5 million in the second quarter of fiscal 2010 compared to \$20.4 million last year. In the second quarter last year the Company undertook an initiative to reduce overhead costs and recorded \$2.1 million in restructuring expenses. Operating expenses last year also included an asset impairment loss of \$1.4 million from the closure of a facility in North Carolina. The efficiency initiatives last year accounted for approximately \$1 million in lower overhead costs in the second quarter this year.

EBITA is comprised of operating income before amortization and unusual items which, in the prior year, included a gain on the sale of a facility, an asset impairment loss and restructuring expenses. There were no unusual items of material significance in the second quarter of 2010. As a result of the improvement in operating income, EBITA in the second quarter of fiscal 2010 increased to \$10.2 million from \$7.3 million in the prior year.

Net earnings after taxes for the second quarter of fiscal 2010 were \$5.0 million (earnings per share of \$0.37) compared with net earnings after taxes of \$0.7 million (earnings per share of \$0.05) in the same period of fiscal 2009.

Comprehensive income is the change in net assets that results from transactions, events and circumstances from sources other than investments by and/or distributions to 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 comprehensive income in the second quarter of fiscal 2010 of \$4.5 million, comprised of net income of \$5.0 million, as reported above, less unrealized losses of \$0.5 million on the translation to U.S. currency of financial statements of Canadian entities.

Consolidated Six Months Results

For the six months ended December 31, 2009, revenues of \$285.7 million were 14.2% lower than the same period in the previous year. Lower raw material prices and a 6.4% decrease in volume accounted for most of the decline in revenue. Softer demand for feed products is reflective of the continuing economic difficulties of livestock and poultry producers and declines in the size of cattle and swine herds and poultry flocks. Gross profit for the first half of the year was \$40.9 million, a decline of 9.5% from the prior year. The decline in gross profits follows from decreased volume for the year to-date and lower unit margins this year compared to last year when the company held more favourable raw material inventory positions.

Operating expenses of \$30.6 million in the first half of fiscal 2010 were \$7.7 million lower than the previous year. Included in operating expenses last year were \$2.1 million in restructuring expenses and an asset impairment loss of \$1.4 million for closure of a redundant facility. Operating expenses last year also included \$0.8 million in advisory services related to the strategic review process which concluded following the sale by Ridley Corporation Limited of its 69% interest in Ridley Inc. to Fairfax Financial Holdings Limited. Last year also included a \$0.3 million gain on the sale of property at a closed facility.

EBITA in the first six months of fiscal 2010 was \$14.6 million compared to \$14.4 million for the same period last year. EBITA is comprised of operating income before amortization and unusual items, which last year included a gain on the sale of facilities (\$0.3 million), restructuring charges (\$2.1 million) and an asset impairment loss (\$1.4 million). There were no unusual items of material significance in the first six months of fiscal 2010.

Net earnings after taxes for the six months ended December 31, 2009 were \$6.1 million (earnings per share of \$0.45) compared with net earnings after taxes of \$3.6 million (earnings per share of \$0.26) in the same period last year.

Reconciliation of Non-GAAP Financial Measures

The Company reports its financial results according to Canadian GAAP. However, included in this management discussion and analysis 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) are defined as operating income before amortization, gain on sale of facilities, asset impairment loss and restructuring charges.

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

Earnings before interest, taxes and amortization (EBITA) (\$ million)	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
Net earnings/(loss)	5.0	0.7	6.1	3.6
Provision for income taxes	3.0	0.4	4.0	2.2
Interest income	(0.1)	(0.1)	(0.2)	(0.3)
Finance costs	0.2	0.8	0.3	1.5
Operating income	8.1	1.8	10.4	7.0
Amortization of property, plant and equipment	2.1	2.0	4.2	4.1
Other amortization	-	-	0.1	0.1
Gain on sale of facilities	-	-	-	(0.3)
Asset impairment loss	-	1.4	-	1.4
Restructuring charges	-	2.1	-	2.1
Earnings before interest, taxes and amortization (EBITA)	10.2	7.3	14.6	14.4

SEGMENT RESULTS

The following is a summary of operating income (loss) of Ridley's reporting segments.

Operating Income (Loss) (iii) (\$ million)	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
Ridley Feed Operations (RFO)	\$4.2	\$(1.7)	\$3.9	\$(0.8)
Ridley Feed Ingredients (RFI)	0.9	2.0	2.4	4.9
Ridley Nutrition Solutions (RNS)	3.7	2.8	5.6	6.1
Corporate	(0.7)	(1.3)	(1.5)	(3.2)
Consolidated Operating Income	\$8.1	\$1.8	\$10.4	\$7.0

(iii) Operating income is earnings before interest and taxes.

Ridley Feed Operations (RFO)

The Ridley Feed Operations (RFO) segment consists of full-line feed manufacturing facilities operating in the United States and Canada, producing and marketing products for traditional livestock and poultry markets. RFO's overall volumes were lower by 5.6% in the second quarter of fiscal 2010 compared to last year. The downturn in volumes is reflective of reduced animal numbers, particularly in Canada, and a continuation of the Company's strategic shift in product mix towards lower inclusion, higher value added products. Colder weather conditions in the second quarter were more favourable to RFO's U.S. feed operations which market a higher proportion of its volume to the beef sector. Volume in Canadian feed operations declined by 12.5% for the quarter, while volume in U.S. feed operations declined by 1.7% from last year. For the six months year to-date, volume in Canadian feed operations was lower by 9.9% compared to last year, while volume in U.S. feed operations was lower by 5.0%.

Lower commodity prices this year over last year translated into lower revenue for RFO as feed prices are generally set at a fixed margin above raw material costs. Revenue was 10.2% lower in the second quarter of 2010 compared to last year. About two-thirds of the decline in revenue was due to reduced unit prices while the remainder was due to lower volumes.

RFO gross profits in the second quarter this year were 12.2% higher than the same period last year due to a 20.3% increase in unit margins partly offset by a 5.6% decline in sales volumes. For the six months of fiscal 2010, RFO gross profits were lower by 4.1%, largely due to lower unit margins in the first quarter.

RFO operating expenses in the second quarter were lower by \$4.3 million as a result of unusual expenses last year including \$1.9 million related to restructuring charges and \$1.4 million for closure of a facility. Lower operating expenses this year also the result of efficiency initiatives undertaken last year.

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. Revenue in the second quarter of fiscal 2010 declined by 10.2% from the same period last year, mainly the result of the softening of raw material prices that were abnormally high last year and reduced demand for feed ingredients following from lower animal numbers. The absence of gains from inventory positions this year reduced unit margins, resulting in a 29.8% decrease in gross profit in the second quarter compared to last year. Gross profits for the first six months of fiscal 2010 were 33.8% lower than the same period last year.

Ridley Nutrition Solutions (RNS)

Ridley Nutrition Solutions (RNS) includes Ridley's feed supplement block and equine nutrition businesses. RNS volumes have been impacted negatively by the lower trending cattle population of the last several years. However, colder weather conditions in the second quarter of fiscal 2010 were favourable to sales of feed supplement blocks resulting in an increase in RNS volumes of 8.7% over last year. For the six months of fiscal 2010, volumes were 1.6% lower than last year as a result of reduced volume in the first quarter of this year.

Gross profits in the second quarter this year were 9.0% higher than last year due to improved volume and slightly more favourable unit margins as the RNS product mix improved towards higher value-added products. Gross profits for the year to-date lag behind last year due to lower volume and reduced unit margins in the first quarter, which followed from less favourable inventory positions.

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. Corporate expenses in the second quarter this year were \$0.6 million lower than last year, mainly the result of unusual expenditures last year related to the strategic review process and restructuring initiatives. For similar reasons, corporate expenses for the six months to-date this year were lower by \$1.7 million compared to last year.

Liquidity/Capital Resources/Cash Flow

Ridley's working capital and debt to equity positions are summarized below:

	December 31 2009	September 30 2009	June 30 2009	March 31 2009	December 31 2008
Balances (\$000) as of:					
Working capital (i)	\$47,816	\$47,022	\$45,546	\$53,163	\$48,969
Net debt (ii)	11,429	11,912	8,652	16,247	18,020
Equity	153,061	151,478	149,013	155,461	152,788
Net debt to equity ratio	7.5%	7.9%	5.8%	10.5%	11.8%

(i) Working capital is defined as current assets less current liabilities, excluding cash and short term deposits.

(ii) Net debt is defined as bank obligations and capital leases, less cash and short term deposits.

Net debt of \$11.4 million as at December 31, 2009 was comprised of long term debt of \$11.2 million and a \$1.9 million balance in revolving credit, less \$1.6 million of cash and short term deposits. For the six months year-to-date the Company funded all capital expenditures from operating cash flows. The \$2.8 million increase in net debt from the start of the current fiscal year reflects the expenditure of \$3.7 million on the repurchase of the Company's shares for cancellation.

The following is a summary of cash generated or utilized by business operations, net of capital expenditures on plant and equipment, excluding business acquisitions.

Summary of Changes in Cash Available (\$ million)	Three months ended		Six months ended	
	December 31		December 31	
	2009	2008	2009	2008
Cash flow from operating activities	7.7	3.3	10.4	7.6
Net decrease (increase) in non-cash working capital balances	(0.5)	6.0	(5.0)	(9.4)
Decrease in loans receivable, net	-	-	0.1	-
Proceeds on disposal of property, plant and equipment	0.1	0.1	0.4	0.5
Capital expenditures, excluding business acquisitions	(2.9)	(2.1)	(5.4)	(4.6)
Business acquisitions	-	-	-	(0.1)
Increase (decrease) in cash available	4.4	7.2	0.4	(6.1)

For the second quarter of fiscal 2010, cash flows from operations net of capital expenditures were \$4.4 million compared to \$7.2 million in the same three-month period last year. Cash flows were significantly increased last year by falling raw material prices which reduced inventory and accounts receivable balances.

Capital Expenditures

Expenditures on plant and equipment in the second quarter of fiscal 2010 were \$2.9 million compared to \$2.1 million in the same period a year ago. Major capital projects in the quarter included \$1.1 million for expansion of the Worthington, MN and Mendota, IL facilities. For the six months to-date, \$2.2 million has been invested in the Worthington and Mendota capital projects. The balance of capital expenditures (\$1.8 million in the second quarter and \$3.2 million for the year-to-date) was made on a variety of smaller projects for the maintenance of equipment and facilities.

Seasonality and Commodity Variability

The Company experiences seasonal variations in revenue. Historically, revenue is strongest in the second and third fiscal quarters when colder weather from October to March increases demand for beef 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.

Selected Quarterly Financial Information

(US \$ millions except per share data)	Fiscal Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	2010	135.7	150.0		
	2009	169.3	163.6	140.7	129.8
	2008	139.8	167.0	167.3	159.4
Net earnings (loss) (before unusual items (i) net of income taxes).	2010	1.1	5.0		
	2009	2.7	3.0	3.5	(0.2)
	2008	2.0	4.5	5.2	0.9
Net earnings (loss)	2010	1.1	5.0		
	2009	2.9	0.7	3.5	(8.4)
	2008	2.6	(2.8)	5.0	1.2
Net earnings (loss) per share (EPS)	2010	0.08	0.37		
	2009	0.21	0.05	0.25	(0.60)
	2008	0.19	(0.21)	0.37	0.08

(i) Unusual items include: asset impairment loss, restructuring charges, and gain on sale of facilities.

Outstanding Share Data

Ridley's share capital consists of an unlimited number of common shares, with no par value. On December 11, 2009 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 share repurchase program permits the Company to purchase for cancellation up to 663,169 of its common shares over the twelve month period ending December 14, 2010. This normal course issuer bid follows a previous share repurchase program which terminated on December 14, 2009. Under the previous share repurchase program, the Company had repurchased for cancellation 595,922 shares at an average price of C\$7.48 per share, excluding commissions. As at December 31, 2009, the Company had made no share repurchases under the new normal course issuer bid. The number of shares outstanding as at December 31, 2009 and as at February 9, 2010 was 13,263,378.

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2 – *Certification of Interim Filings* and filed it with the appropriate securities regulators in Canada in compliance with Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators. There has been no change in Ridley's internal controls over financial reporting or disclosure controls and procedures that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, Ridley's internal control over financial reporting.

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 ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

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 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. A settlement agreement between Ridley and the representative plaintiffs was finalized in January 2009 when Ridley made payment of 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. The settlement effectively capped Ridley's exposure to the claims made by the plaintiffs to that amount.

Following the settlement agreement with plaintiffs the Ontario Superior Court granted Ridley's motion for dismissal of the Ontario action as against Ridley on July 28, 2009. The Quebec Superior Court dismissed the Quebec action as against Ridley on November 13, 2009. Ridley will seek to obtain similar court orders in Alberta and Saskatchewan where the plaintiffs commenced identical actions. If the remaining jurisdictions grant dismissal motions, 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. Demand for commercial animal feed in 2010 will be influenced by any improvement in the profit margins of livestock and poultry producers. Longer term commercial feed demand will depend on the eventual reversal of the reduction in animal numbers across most segments in the U.S. and Canada.

The outlook is encouraging for improved profitability amongst most sectors of livestock and poultry production within the next six to twelve months. However, in the near term, many sectors continue to operate below breakeven levels, which negatively affects producer demand for feed supplementation.

Management continues to focus on the needs of Ridley's customers, making customer satisfaction a top priority while 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 remains important for diversifying Ridley's earnings across multiple geographies and product categories.

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 the notes to the interim financial statements and Ridley's Annual Information Form (AIF), are available at www.sedar.com. Visit our website at www.ridleyinc.com.

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RIDLEY Inc.

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, expressed in U.S. dollars)

Three and six months ended December 31, 2009 and 2008



RIDLEY Inc.
Consolidated Balance Sheets

(Unaudited)

(Expressed in thousands of U.S. dollars)

	December 31 2009	June 30 2009	December 31 2008
ASSETS			
Current assets			
Cash and short-term deposits	1,594	1,954	6,087
Accounts receivable	36,026	30,697	39,295
Inventories (Note 8)	50,708	48,153	58,475
Income taxes recoverable	58	1,867	1,516
Prepays and other current assets	2,105	721	2,206
Current portion of loans receivable	1,069	1,013	1,168
Assets held-for-sale (Note 12)	-	245	-
Future income tax asset	1,602	1,545	1,439
Total current assets	93,162	86,195	110,186
Non-current assets			
Loans receivable	472	603	952
Assets held-for-sale (Note 12)	598	598	867
Property, plant and equipment	91,439	88,604	88,812
Future income tax asset	4,256	3,425	-
Other assets	3,980	4,431	2,604
Other intangibles	4,642	4,379	4,466
Goodwill	37,982	37,982	48,477
Total non-current assets	143,369	140,022	146,178
TOTAL ASSETS	236,531	226,217	256,364
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities			
Outstanding cheques in excess of bank balances	3,920	2,038	408
Short-term debt	1,871	364	1,767
Accounts payable and accrued liabilities	34,451	34,525	43,588
Advances from customers	3,366	1,716	4,397
Claim settlement provision (Note 14)	-	-	4,902
Income taxes payable	91	-	-
Current portion of long-term debt	53	52	68
Total current liabilities	43,752	38,695	55,130
Long-term liabilities			
Long-term debt	11,099	10,190	22,272
Future income tax liability	24,672	24,427	21,836
Other accrued liabilities	3,947	3,892	4,338
Total long-term liabilities	39,718	38,509	48,446
Total liabilities	83,470	77,204	103,576
Shareholders' equity			
Share capital (Note 11)	55,127	57,315	57,601
Retained earnings	86,706	81,285	86,199
Accumulated other comprehensive income (Note 4)	11,228	10,413	8,988
	97,934	91,698	95,187
Total shareholders' equity	153,061	149,013	152,788
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	236,531	226,217	256,364

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

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
Revenue	149,969	163,562	285,676	332,866
Cost of sales (Note 8)	126,453	141,413	244,736	287,628
Gross profit	23,516	22,149	40,940	45,238
Operating (income) expenses				
Selling, general and administrative	13,095	16,755	25,806	32,481
Amortization of property, plant and equipment	2,093	2,047	4,185	4,116
Gain on sale of facility (Note 12)	-	-	-	(316)
Research and development	228	140	498	486
Other amortization	44	44	87	87
Asset impairment loss (Note 13)	-	1,407	-	1,407
Net operating expenses	15,460	20,393	30,576	38,261
Operating income	8,056	1,756	10,364	6,977
Finance costs	(170)	(845)	(348)	(1,450)
Interest income	87	145	166	262
Earnings before income taxes	7,973	1,056	10,182	5,789
Provision for income taxes (Note 9)	2,953	385	4,037	2,184
Net earnings for the period	5,020	671	6,145	3,605
Retained earnings, beginning of period	82,410	85,528	81,285	82,594
Net earnings for the period	5,020	671	6,145	3,605
Excess over stated value of shares purchased for cancellation (Note 11)	(724)	-	(724)	-
Retained earnings, end of period	86,706	86,199	86,706	86,199
Net earnings per share, basic and diluted	0.37	0.05	0.45	0.26

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

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
Net earnings for the period	5,020	671	6,145	3,605
Unrealized gains (losses) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency (Note 4)	(525)	(3,298)	815	(4,317)
Other comprehensive income (loss) for the period	(525)	(3,298)	815	(4,317)
Comprehensive income (loss) for the period	4,495	(2,627)	6,960	(712)

RIDLEY Inc.
Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of U.S. dollars)

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
Cash flow from operating activities				
Net earnings for the period	5,020	671	6,145	3,605
Add (deduct) items not affecting cash:				
Amortization of property, plant and equipment	2,093	2,047	4,185	4,116
Future income taxes	414	(1,037)	(214)	(1,468)
Asset impairment loss (Note 13)	-	1,407	-	1,407
Loss on sale of property, plant and equipment	75	47	114	49
Gain on sale of facility (Note 12)	-	-	-	(316)
Other amortization	44	44	87	87
Other items not affecting cash	46	121	94	148
	7,692	3,300	10,411	7,628
Net change in non-cash working capital balances related to operations:				
Accounts receivable	(329)	1,987	(4,160)	(6,538)
Inventories	(1,911)	14,520	(1,677)	8,920
Prepays and other current assets	187	343	(1,343)	(361)
Accounts payable and accrued liabilities	(1,028)	(11,219)	(1,361)	(12,541)
Advances from customers	2,336	3,331	1,626	2,125
Income taxes payable and recoverable	287	(3,005)	1,883	(1,048)
Net cash from (utilized for) operating activities	7,234	9,257	5,379	(1,815)
Cash flow from investing activities				
Proceeds on disposal of facilities, property, plant and equipment	102	57	368	526
Purchase of property, plant and equipment	(2,931)	(2,095)	(5,098)	(4,632)
Purchase of intangibles	-	-	(350)	-
Decrease in loans receivable, net	43	15	94	-
Business acquisitions (Note 10)	-	-	-	(137)
Net cash utilized for investing activities	(2,786)	(2,023)	(4,986)	(4,243)
Cash flow from financing activities				
Repayment of short- and long-term debt	(4,770)	(18,699)	(6,493)	(26,275)
Proceeds from short- and long-term debt	1,852	9,476	7,782	34,484
Purchases of share capital for cancellation (Note 11)	(3,745)	(3)	(3,745)	(3)
Net cash from (utilized for) financing activities	(6,663)	(9,226)	(2,456)	8,206
Effect of exchange rate changes on cash	(36)	28	(179)	21
Increase (decrease) in cash and cash equivalents	(2,251)	(1,964)	(2,242)	2,169
Cash and cash equivalents - beginning of period	(75)	7,643	(84)	3,510
Cash and cash equivalents - end of period	(2,326)	5,679	(2,326)	5,679
Cash and cash equivalents are comprised of:				
Cash and short-term deposits	1,594	6,087	1,594	6,087
Outstanding cheques in excess of bank balances	(3,920)	(408)	(3,920)	(408)
	(2,326)	5,679	(2,326)	5,679

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, 2009, as set out in the 2009 Annual Report. All amounts are in U.S. dollars unless otherwise stated.

2. Changes in accounting policies

Current changes

Goodwill and intangible assets

On July 1, 2009 the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3064 – Goodwill and Intangibles. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The adoption of this section did not impact these consolidated financial statements.

Future changes

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		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Balance, beginning of period	11,753	12,286	10,413	13,305
Other comprehensive income (loss) for the period	(525)	(3,298)	815	(4,317)
Balance, end of period	11,228	8,988	11,228	8,988

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. 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 December 31, 2009	Assets (Liabilities)		Financial Instruments Category
	Carrying Value	Fair Value	
Cash and short-term deposits	1,594	1,594	Held for trading
Accounts receivable	36,026	36,026	Loans & receivables
Loans receivable	1,541	1,541	Loans & receivables
Financial derivative instruments included in accounts payable and accrued liabilities	155	155	Held for trading
Outstanding cheques in excess of bank balance	(3,920)	(3,920)	Other liabilities
Accounts payable and accrued liabilities	(34,451)	(34,451)	Other liabilities
Advances from customers	(3,366)	(3,366)	Other liabilities
Short-term and Long-term debt	(13,023)	(13,023)	Other liabilities
Financial liabilities included in other accrued liabilities	(507)	(507)	Other liabilities

In the three and six months ended December 31, 2009, the Company recorded a credit of \$212,000 and \$88,000 (2008 – charge of \$275,000 and \$655,000) to cost of goods sold associated with market valuations of derivatives, respectively. In the three and six months ended December 31, 2009, the Company recorded a credit of \$32,000 and charge of \$230,000 (2008 – nil), to administrative expense with market valuations of derivatives, respectively. In the three and six months ended December 31, 2009, the Company recorded a credit of \$43,000 and \$82,000 (2008 – charge of \$69,000 and \$63,000), to finance costs associated with market valuations of derivatives, respectively.

6. Statement of cash flow disclosures

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

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Interest	200	721	356	1,261
Income taxes, net of refund	2,298	4,418	2,370	4,644

7. 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		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Non-contributory pension plan	202	183	403	447
Defined contribution plan	404	302	787	684

8. Inventories

	December 31	June 30	December 31
	2009	2009	2008
	(\$000)	(\$000)	(\$000)
Raw materials	38,084	34,700	43,511
Finished goods	12,624	13,453	14,964
Total	50,708	48,153	58,475

Cost of sales consists of the following:

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Raw materials and products consumed	111,371	109,916	213,557	244,205
Direct labour and fringe benefits	5,495	5,289	10,521	10,644
Other production costs	7,378	6,936	14,468	13,994
Net change in inventories	(1,911)	14,520	(1,677)	8,920
Inventories recognized as expense	122,333	136,661	236,869	277,763
Non allocated costs	4,120	4,752	7,867	9,865
Cost of sales	126,453	141,413	244,736	287,628

9. Income taxes

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. Income generated by the U.S. entities is taxed at a higher rate than in Canada, where the Canadian entities reported pre-tax losses, allowing for recognition of a tax benefit, but at a lower effective tax rate.

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. During the first quarter of fiscal 2009, the Company recorded a net recovery of \$235,000 associated with uncertain tax positions.

10. Business acquisitions

No business acquisitions were recorded for the year to date in fiscal 2010.

There were no business acquisitions in fiscal 2009 year to date; however, an installment related to a fiscal 2006 acquisition was paid in the first six months of fiscal 2009.

11. Normal course issuer bid

The Company's share capital consists of an unlimited number of common shares, with no par value. On December 11, 2009 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 share repurchases program permits the Company to purchase for cancellation up to 663,169 of its common shares over the twelve month period ending December 14, 2010. This normal course issuer bid follows a previous share repurchase program which terminated on December 14, 2009. Under the previous share repurchase program, the Company repurchased for cancellation 595,922 shares at an average purchase cost of C\$7.48 per share, excluding commissions. As at December 31, 2009, the Company had made no share repurchases under the new normal course issuer bid. The number of shares outstanding as at December 31, 2009, was 13,263,378.

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Authorized				
Unlimited number of common shares, no par value				
Share capital				
Common stock beginning of period	57,315	57,604	57,315	57,604
Purchases for cancellation	(2,188)	(3)	(2,188)	(3)
Common stock end of period	55,127	57,601	55,127	57,601

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
Shares outstanding				
Common stock beginning of period	13,789,778	13,859,300	13,789,778	13,859,300
Purchases for cancellation	(526,400)	(3,900)	(526,400)	(3,900)
Common stock end of period	13,263,378	13,855,400	13,263,378	13,855,400

12. Assets held-for-sale and sale of facilities

Assets held-for-sale as of December 31, 2009 consists of land, buildings and equipment of two closed plants in the U.S. Their total carrying value of \$598,000 approximates fair value.

The Ridley Feed Operations segment recorded a sale of property in Lethbridge, Alberta in the first six months of fiscal 2010. Net proceeds on this sale of \$248,000 approximated carrying value. At June 30, 2009 this property was classified as assets held-for-sale within current assets.

Operating results for the Ridley Feed Operations segment in the first six months of fiscal 2009 include pre-tax gains of \$316,000 related to the sale of land in Lacombe, Alberta. Net proceeds on this sale were \$377,000.

13. Asset impairment loss and restructuring costs

In the second quarter of 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.

Restructuring costs of \$2,090,000 were recorded in the second quarter of fiscal 2009 as part of a cost reduction plan. These costs include \$1,752,000 of severance costs recorded in selling, general and administrative expense and included in cost of sales is \$231,000 of inventory obsolescence related to retail store inventory and \$107,000 of expenses related to the Selma plant closure.

14. 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 damage as a result of international bans on trade in Canadian beef and cattle following

the 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. A settlement agreement between Ridley and the representative plaintiffs was finalized in January 2009 when Ridley made payment of 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. The settlement effectively capped Ridley's exposure to the claims made by the plaintiffs to that amount.

Following the settlement agreement with plaintiffs the Ontario Superior Court granted Ridley's motion for dismissal of the Ontario action as against Ridley on July 28, 2009. The Quebec Superior Court dismissed the Quebec action as against Ridley on November 13, 2009. Ridley will seek to obtain similar court orders in Alberta and Saskatchewan where the plaintiffs commenced identical actions. If the remaining jurisdictions grant dismissal motions, Ridley will cease to be a party to the continuing class action lawsuits.

15. 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, 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 December 31, 2009	Corporate &				Consolidated
	RFO	RFI	RNS	Eliminations	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue					
Revenue from unaffiliated customers	108,842	17,224	23,903	-	149,969
Intersegment revenues	1,011	12,580	9,846	(23,437)	-
Revenue	109,853	29,804	33,749	(23,437)	149,969
Cost of sales	95,604	27,940	26,346	(23,437)	126,453
Gross profit	14,249	1,864	7,403	-	23,516
Net operating expenses	10,097	959	3,672	732	15,460
Operating income (loss)	4,152	905	3,731	(732)	8,056

Three months ended December 31, 2008	Corporate &				Consolidated
	RFO	RFI	RNS	Eliminations	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue					
Revenue from unaffiliated customers	120,805	18,318	24,439	-	163,562
Intersegment revenues	1,523	14,858	8,507	(24,888)	-
Revenue	122,328	33,176	32,946	(24,888)	163,562
Cost of sales	109,627	30,519	26,155	(24,888)	141,413
Gross profit	12,701	2,657	6,791	-	22,149
Net operating expenses	14,425	692	3,964	1,312	20,393
Operating income (loss)	(1,724)	1,965	2,827	(1,312)	1,756

Six months ended December 31, 2009	Corporate &				Consolidated
	RFO	RFI	RNS	Eliminations	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue					
Revenue from unaffiliated customers	207,769	35,832	42,075	-	285,676
Intersegment revenues	1,856	23,461	15,635	(40,952)	-
Revenue	209,625	59,293	57,710	(40,952)	285,676
Cost of sales	185,581	55,095	45,012	(40,952)	244,736
Gross profit	24,044	4,198	12,698	-	40,940
Net operating expenses	20,167	1,816	7,079	1,514	30,576
Operating income (loss)	3,877	2,382	5,619	(1,514)	10,364

Six months ended December 31, 2008	Corporate &				Consolidated
	RFO	RFI	RNS	Eliminations	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue					
Revenue from unaffiliated customers	249,380	38,552	44,934	-	332,866
Intersegment revenues	3,299	29,026	16,769	(49,094)	-
Revenue	252,679	67,578	61,703	(49,094)	332,866
Cost of sales	227,618	61,240	47,864	(49,094)	287,628
Gross profit	25,061	6,338	13,839	-	45,238
Net operating expenses	25,856	1,455	7,780	3,170	38,261
Operating income (loss)	(795)	4,883	6,059	(3,170)	6,977

Balances as of:	RFO	RFI	RNS	Corporate	Consolidated
December 31, 2009	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total assets	131,238	28,975	68,508	7,810	236,531
Property, plant & equipment	60,506	5,068	25,865	-	91,439
Goodwill	12,293	4,327	21,362	-	37,982

Balances as of:	RFO	RFI	RNS	Corporate	Consolidated
June 30, 2009	(\$000)	(\$000)	(\$000)	(\$000)	(\$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

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Revenue from unaffiliated customers				
U.S.	121,582	129,644	228,756	260,905
Canada	28,387	33,918	56,920	71,961
Total	149,969	163,562	285,676	332,866

	December 31	June 30	December 31
	2009	2009	2008
	(\$000)	(\$000)	(\$000)
Property, plant and equipment			
U.S.	70,246	69,182	69,153
Canada	21,193	19,422	19,659
Total	91,439	88,604	88,812
Goodwill			
U.S.	37,982	37,982	37,982
Canada	-	-	10,495
Total	37,982	37,982	48,477

16. Comparative amounts

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