FORM 51-102F3

NATIONAL INSTRUMENT 51-102

MATERIAL CHANGE REPORT

ITEM 1 Name and Address of Company:

Ridley Inc.
17 Speers Road
WINNIPEG MB R2J 1M1

ITEM 2 Date of Material Change:

August 30, 2004

ITEM 3 News Release:

A news release dated August 30, 2004 was released from Mankato, Minnesota and Winnipeg, Manitoba, and disseminated via CCNMatthews.

ITEM 4 Summary of Material Change:

Ridley Inc. (**www.ridleyinc.com**), one of the largest commercial animal nutrition companies in North America, today reported results for its fiscal 2004 fourth quarter and year ended June 30, 2004. All currency figures are stated in Canadian dollars.

ITEM 5 Full Description of Material Change:

"Net income, after taking into account the discontinued operations of Cotswold Swine Genetics, was $1.8 million for the fiscal 2004 fourth quarter, compared with a loss of $6.7 million for the comparable 2003 period," said Bob Gallaway, Ridley Inc. President and Chief Executive Officer. "Ridley recorded earnings of $1.5 million from continuing operations for the fourth quarter of fiscal 2004, compared with earnings from continuing operations of $1.7 million for the same period in fiscal 2003."

"Poor producer economics throughout much of fiscal 2004, the weaker U.S. dollar, the ongoing impact of BSE on the Canadian cattle industry, a reduction in the number of animals on feed and the fiscal 2003 USDA Drought Assistance Program, which inflated sales volumes and resulted in dealers and livestock producers stockpiling substantial inventories of product all combined to impact results throughout fiscal 2004," said Gallaway.

Fourth Quarter Results

Sales revenues increased 7.4% to $148.0 million compared with $137.9 million in the year-earlier period. Generally, a comparison of sales on a dollar basis is not necessarily indicative of the strength of Ridley's business because fluctuating commodities prices can influence revenues. For the fourth quarter, sharply higher commodity prices for feed ingredients are the primary driver for the higher revenues. Feed sales volumes were lower in the fourth quarter (by about 3.8%) and the exchange rate used to convert U.S. dollar-denominated sales to Canadian dollar equivalent was also lower in the 2004 fourth quarter.

Consolidated gross profit was $23.7 million in the fiscal 2004 fourth quarter compared with $27.1 million in fiscal 2003, reflecting two factors. Firstly, feed sales volumes were lower in the fiscal 2004 period, and secondly, the reduced levels of manufacturing activity have affected plant utilization rates. Because of the impact of fixed manufacturing costs and the difficult operating environment, gross profit percentages are lower for the fiscal 2004 fourth quarter and full year. It should also be noted that the sharply higher commodity prices for feed ingredients in 2004 are included in both the revenues and cost of sales, having the effect of reducing percentage margins.

Operating expenses were $21.1 million for the 2004 fourth quarter, down $2.6 million from the 2003 corresponding period. The fiscal 2003 total includes a provision of $4.0 million that Ridley recorded for an impaired loan receivable from a significant swine customer. The 2004 operating expenses include higher insurance and bad debts costs, mitigated by a slightly lower U.S. dollar exchange rate and the impact of a number of cost containment initiatives.

Ridley’s lower levels of bank debt reduced interest expense in the fourth quarter of fiscal 2004 to $1.1 million from $1.4 million in the fourth quarter of fiscal 2003. Interest rates were relatively flat on a year-over-year basis. Net income from continuing operations was $1.5 million in the 2004 fourth quarter compared with $1.7 million in the corresponding 2003 period.

The discontinued operations of Cotswold Swine Genetics (CSG) produced an operating profit of $0.3 million in the fiscal 2004 fourth quarter, taking advantage of very strong market hog prices for the period. The 2003 quarterly results include an after-tax loss of $8.5 million on the discontinued operations of CSG, consisting of an after-tax operating loss of $2.7 million, recognition of a $9.2 million after-tax impairment on the assets, and a $3.4 million tax benefit recognized on amalgamation of Ridley and the Cotswold Canada subsidiary on June 30, 2003.

Ridley’s net income was $1.8 million in the fourth quarter of fiscal 2004 ($0.14 per diluted share), compared with a loss of $6.7 million ($0.49 loss per diluted share) in fiscal 2003.

Earnings before interest, income taxes, depreciation and goodwill amortization (EBITDA) were $4.9 million in the fiscal 2004 fourth quarter, compared with $5.9 million for the previous year.

Twelve Month Results

Sales revenues declined by $54.8 million, or 8.2%, in fiscal 2004 to $609.8 million from $664.6 million in fiscal 2003. Feed sales volumes decreased in fiscal 2004 by 8.1% overall.

In fiscal 2003, U.S. sales volumes were driven substantially higher as a result of the drought assistance program introduced by the United States Department of Agriculture in August 2002. The program continued through to January 2003, helping to push Ridley's feed sales in fiscal 2003 to record levels, and generating strong profitability. Without a drought assistance program in fiscal 2004, and combined with improved moisture conditions and a mild winter resulting in better grazing for cattle, the U.S. Division recorded sharply reduced feed sales volumes.

Sales volumes declined in the Canadian Division as a result of the BSE situation, which devastated Canadian beef producers and drastically reduced feed sales since no live Canadian cattle can be shipped into the U.S. In addition, the swine sector was under duress for most of the year because of the extended period of low market hog prices and a lower U.S. dollar exchange rate, which reduced the revenue pork producers receive for hogs shipped into the U.S.

Cost of sales decreased by $36.1 million to $493.9 million compared with $530.0 million in the previous year. Gross profit for 2004 of $116.0 million was $18.6 million lower than the 2003 total of $134.6 million. As a percentage of revenue, gross profit decreased slightly from 20.2% in 2003 to 19.0% in 2004. The reasons for the changes are as described in the explanation of the fourth quarter results.

Total operating expenses, including selling, general & administrative expenses, depreciation, amortization, and research and development, were $92.4 million for the year, or $0.5 million higher than the 2003 total of $91.9 million. Although the year-over-year change is not significant, the 2004 total includes higher costs for insurance, bad debts, severance and moving costs, offset by savings in other areas from cost containment efforts initiated during the year. The weakening U.S. dollar reduced reported operating expenses of the U.S. Division when its U.S. dollar-denominated expenses were converted to Canadian dollars for financial statement purposes.

The continuing uncertainty in the marketplace, particularly for Ridley's swine customers, caused the Company to increase its bad and doubtful debt reserves significantly in the fourth quarter of fiscal 2003 and throughout fiscal 2004. Bad debt expense, including loan impairments, was $8.3 million in fiscal 2004, and $4.4 million in fiscal 2003, both being significantly higher amounts than Ridley's historical credit loss experience.

Most of the bad debt expense reflects Ridley's exposure on a loan to a significant swine customer. Ridley had provided loans – linked to a long-term feed supply contract – to the customer in 1999 and 2000 as part of a restructuring and expansion of its operations. An outbreak of swine disease led to the customer's ultimate bankruptcy. Ridley had reserved $4.0 million in the fourth quarter of fiscal 2003 to reflect the loan impairment, increased the reserve by $1.2 million in the first half of fiscal 2004, then provided fully for the remaining exposure, recording an additional impairment reserve of $5.0 million in the 2004 third quarter. Ridley has no other comparable exposure in its customer portfolio.

Ridley's operating income of $23.6 million was $19.0 million lower than the $42.6 million recorded in 2003. Strong operating cash flow allowed Ridley to reduce bank debt again in fiscal 2004. The lower bank debt, combined with favorable interest rates, reduced interest expense by $1.5 million to $5.1 million in 2004 from $6.6 million in fiscal 2003. Net income from continuing operations was $12.4 million in fiscal 2004 compared with $23.3 million in 2003.

The discontinued operations of Cotswold Swine Genetics (CSG) reported a loss of $1.5 million in 2004 and $13.0 million in 2003. Ridley announced its decision to divest the CSG operations in July 2003, and projected after-tax charges of $1.8 million to fiscal 2004 earnings. The divestiture has been substantially completed within the timeframe and at the cost expected.

The $13.0 million loss on discontinued operations in 2003 consists of operating losses of $7.2 million net of tax benefits and an after-tax loss of $9.2 million recorded to reflect impairment on the CSG assets, offset by a $3.4 million tax benefit recognized on amalgamation of Ridley and the Cotswold Canada subsidiary.

Net earnings for 2004 were $10.9 million (diluted earnings per share of $0.79), compared with $10.4 million (diluted earnings per share of $0.75) in 2003. EBITDA were $34.0 million in fiscal 2004, compared with $53.8 million for the previous year.

Segment Results

Operating income for the U.S. Division in fiscal 2004 decreased by $17.1 million to $19.9 million from $37.0 million in 2003. The decrease was due to sales volume declines for both the feed and block operations, a weakening of the U.S. dollar against the Canadian dollar from the prior year, negatively impacting results by approximately $5.0 million, and a $4.6 million charge for impaired loans receivable in the feed operations.

Beef feed sales and Low Moisture Blocks were impacted by the mild winter in the U.S. and a lack of snow cover, which led to good grazing conditions, a carryover of feed inventories from the USDA drought assistance program in fiscal 2003, and the 2001 – 2002 drought, that caused ranchers to move their cattle from the drought-stricken western and midwestern U.S. where Ridley's distribution network is strongest, to better grazing conditions in the southeast, where our distribution network is not as well established.

The reported incidents of Bovine Spongiform Encephalopathy (BSE) caused a major disruption of normal cattle movement in the U.S. Export markets were closed off, and similarly, imports of cattle from Canada were stopped. With beef supplies low and continuing strong domestic demand fuelled by the popularity of the Atkins diet, coupled with the loss of Canadian supply, beef prices have been very high. Cow/calf operators took advantage of the record high prices by selling off cows and not retaining their heifers to build up their breeding herd. The short supply of cattle also caused feedlot operators to buy calves at a younger age and feed them longer.

The impact of these changes is that overall U.S. beef cattle numbers are down and the cattle are spending proportionally more time in feedlots and less time grazing in pastures, reducing demand for beef feed and Ridley's Low Moisture Blocks.

Operating income of the Canadian Division decreased by $2.9 million to $7.6 million in 2004 from $10.5 million in 2003. The decrease was due to a combination of less volume and increased expenses, primarily in the areas of insurance and bad debts, offset partially by improved margins. The BSE case in Canada that closed the U.S. border for cattle and beef products is still impacting beef feed sales. The border was reopened for certain beef products, but is still not open to live animals. A planned transition to more sales of low inclusion products such as premixes and supplements, and less reliance on sales of complete feeds, was a factor in the Canadian Division's lower volumes.

ITEM 6 Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:

Not applicable.

ITEM 7 Omitted Information:

Not applicable.

ITEM 8 Executive Officer:

For further information please contact J. D. Richardson, Corporate Secretary of Ridley Inc. at (204) 956-1717.

ITEM 9 Date of Report:

Dated at Winnipeg, Manitoba this 30th Day of August, 2004.

RIDLEY INC.

J.D. Richardson

J.D. Richardson
Corporate Secretary