

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:

November 4, 2004

ITEM 3 News Release:

A news release dated November 4, 2004 was released from Mankato, Minnesota and Winnipeg, Manitoba, and disseminated via CCMatthews.

ITEM 4 Summary of Material Change:

Ridley Inc. (www.ridleyinc.com), one of the largest commercial animal nutrition companies in North America, today reported earnings results for its fiscal 2005 first quarter ended September 30, 2004.

ITEM 5 Full Description of Material Change:

Ridley Inc., one of the largest commercial animal nutrition companies in North America, today reported earnings results for its fiscal 2005 first quarter ended September 30, 2004.

Consolidated Financial Results

Revenues increased to \$117.8 million compared with \$109.1 million in the same period last year. Generally, a comparison of revenues on a dollar basis is not necessarily indicative of the strength of Ridley's business because revenues can be influenced by fluctuating commodity prices. Ridley's first quarter sales and operating results are traditionally not as strong as the colder second and third

fiscal quarters from October through March, when cattle have higher energy requirements and snow cover reduces their ability to graze. For the fiscal 2005 first quarter, the increase in reported revenues includes the revenues generated by the Company's recently acquired Sweetlix, LLC feed supplement business, offset by lower volumes in the existing businesses and lower selling prices per ton.

Gross profit in the first quarter of fiscal 2005 was \$17.6 million compared with \$20.7 million in the first quarter of fiscal 2004. The lower gross profit reflects the unusual volatility of feed ingredient prices in the first quarter. The rapid and unexpected drop in price for soybean meal and canola meal resulted in losses on inventory and existing purchasing positions since the sale price on feed moves in near tandem to the market price of the inputs, impacting gross profit by approximately \$1.2 million.

Overall operating expenses in the first quarter were \$18.7 million, an increase of \$3.1 million from the previous year. Operating expenses are higher because of professional fees and wage increases, and include a \$1.3 million impairment loss related to our St. Paul, Alberta feed mill, and \$0.7 million for severance costs due to a cost reduction program. The St. Paul facility is planned for closure in the second quarter as it is no longer profitable and operates in a marketplace experiencing reduced livestock numbers. We anticipate closure and severance costs of \$0.2 million related to St. Paul in the second quarter.

Ridley is reporting an operating loss before interest and taxes of \$1.0 million in the quarter, compared with operating income before interest and taxes of \$5.1 million in the same period of fiscal 2004. Lower average debt levels resulted in a \$0.2 million reduction in interest expense. The loss after tax from continuing operations is \$1.1 million in the fiscal 2005 first quarter, compared with income after tax from continuing operations of \$2.6 million last year. The Company's discontinued operations reported a loss of \$0.2 million in the quarter compared with a loss of \$0.1 million in the first quarter of fiscal 2004. The Company has no remaining swine purchase commitments or inventory relating to the Cotswold North American operations as of September 30, 2004.

The net loss for the first quarter was \$1.3 million (diluted loss per share of \$0.10) compared with earnings of \$2.5 million (diluted earnings per share of \$0.18) in the fiscal 2004 first quarter. Earnings before interest, income taxes, depreciation and goodwill amortization (EBITDA) were \$2.3 million in the fiscal 2005 first quarter, compared with \$7.1 million for the previous year.

Segment Results

Ridley Feed Operations' sales volumes declined by 4.5% in the first quarter of fiscal 2005, with all of the reduction being in the Canadian plants, offset by a modest volume increase in the U.S. The Canadian operations continue to be affected by the two reported cases of Bovine Spongiform Encephalopathy (BSE),

in May and December 2003, which resulted in the closure of the U.S./Canadian border for live cattle movements and the dramatic repercussions on the North American beef industry. In addition, generally poor market prices for Canadian pork producers over the past two years finally rose above break-even in the spring of 2004, but not in time to prevent a significant degree of producer liquidation and consolidation. Consequently, the Canadian plants have lost feed volumes in the swine and beef sectors. Sales volumes in the U.S. plants were level with last year.

As noted above, volatile markets for feed ingredients resulted in lower margins as losses were taken on some purchasing positions. For the quarter, Ridley Feed Operations reported an operating loss of \$1.4 million, including an asset impairment charge of \$1.3 million for the St. Paul closing and severance costs at \$0.7 million in respect of a cost reduction program, compared with operating income of \$4.2 million in the same period of fiscal 2004.

Ridley Nutrition Solutions, which includes the low moisture block operations, specialty products, Sweetlix feed supplements and the equine nutrition business, McCauley Bros., Inc., recorded higher sales volumes than last year, but the increase is attributable solely to the additional tons generated by the Sweetlix business.

Ridley Nutrition Solutions was adversely impacted by weather conditions that produced good forage for cattle, and by customers delaying their purchasing decisions following rapid declines in the feed ingredient market. Integration of the new Sweetlix business is progressing well, but production and results from the Sweetlix operations were hampered in the first quarter by the four hurricanes that hit the southeastern U.S. The hurricanes forced the Montgomery, Alabama plant to close for several days, as serious flooding and disruptions to transportation in and out of the area impeded inbound shipments of ingredients and outbound feed shipments.

Although the Montgomery plant suffered no major damage, business in the southeastern U.S. has been significantly disrupted. For the first quarter of fiscal 2005, Ridley Nutrition Solutions reported operating income of \$1.2 million compared with \$1.6 million in the same period of fiscal 2004.

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 8th Day of November, 2004.

RIDLEY INC.

A handwritten signature in dark ink that reads "J.D. Richardson". The signature is written in a cursive style with a large, stylized initial "J".

J.D. Richardson
Corporate Secretary