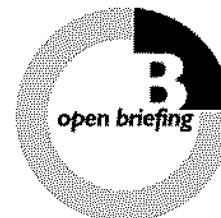


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Ridley Corporation Limited generates about 55 percent of its revenue from its 70-percent owned subsidiary Ridley Inc. Of this about 70 percent is derived from the US, where a case of BSE was recently discovered. US beef prices have fallen and more than 30 countries have banned the import of US beef as a result of the discovery. What's the potential impact of this BSE scare on Ridley's earnings?

**CEO Matthew Bickford-Smith**

This is obviously something we're watching closely as beef-related feed accounts for about 36 percent of US revenue. It's difficult to be totally definitive about the earnings impact at this early stage. But cutting through all the noise to the facts, there has been a single case of BSE discovered on US soil. Current information suggests the infected animal came from Canada, and possibly from the same province in Canada where that country's only incidence of the disease was reported in May 2003.

Given the age of the infected US and Canadian animals, which was over six years, and the gestation period of BSE, there are indications that in both cases the disease may have been contracted prior to the banning of ruminant meat and bone meal as cattle feed ingredients in 1997. If DNA testing provides evidence that both cows were from the same location originally and were fed material from the same source, it would give the beef industry on both sides of the border considerable

comfort to the extent that the current feed ingredient standards would not be called into question.

The US is a net importer of beef, and has been for the past 35 years, so the main issue for beef producers in the US is the ongoing confidence domestic consumers have in the safety of the system. The early indications are quite reassuring. From what we understand from the various consumer polls and the comments from the various retail outlets, US consumption of beef is holding up well. Certainly cattle prices have moved down, but they've come off historically very high levels. Following the BSE incidence in Canada and the border closure, cattle prices in the US soared to historical highs and have really only come back to the levels seen in 2002 and early 2003. Based on current price levels we see no pressure whatsoever on the viability of the US beef industry.

So based on what we currently know, and assuming that it is a case of a single cow being affected, we'd anticipate little impact on our earnings.

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What safeguards does the US have in place to contain any possible BSE outbreak and how long might it take to establish whether or not the current case is part of a wider outbreak?

**CEO Matthew Bickford-Smith**

The US does have a comprehensive plan in place to deal with any further discoveries of BSE and the current product recall and tracing of the affected cow's history are part of that process. It may be that the US Department of Agriculture (USDA) will consider additional safeguards necessary, such as more checks in slaughter yards for "downer," or non-ambulatory, cows and tighter regulation of the use of meat and bone meal across all species.

The USDA web site ([www.usda.gov](http://www.usda.gov)) carries daily updates on the situation, and that's the best source of information on how the case is being handled.

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Following the BSE case reported in Canada in May 2003, how have your Canadian operations been affected in terms of demand, margins and receivables quality, and would you expect a similar scenario in the US business?

**CEO Matthew Bickford-Smith**

The dynamics of the US and Canadian markets are very different. As I said before, the US is a net importer of beef, whereas Canada is heavily reliant on exports. So post the BSE discovery in May, cattle and beef prices did fall sharply for a period with the closure of Canada's main export markets. More significantly for us, the drop in Canadian beef prices served to keep pork prices low, which has had a negative impact on demand for pig feed, a more substantial part of our business. Nevertheless, our margins have largely held and we've seen no significant deterioration in the quality of our receivables in Canada so far.

Interestingly, Canadian consumers haven't cut back on consumption of beef products.

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Thank you Matthew.

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