NEWS RELEASE

RIDLEY Inc.
Trading symbol: RCL on The Toronto Stock Exchange

FOR IMMEDIATE RELEASE

Ridley Inc. Reports Financial Results for Fiscal 2015 Second Quarter

MANKATO, MINNESOTA -- (Marketwired - February 11, 2015) - Ridley Inc. (TSX: RCL) today reported its financial results for the three and six months ended December 31, 2014. All currency amounts are stated in U.S. dollars unless otherwise noted.

For the three months ended December 31, 2014, Ridley's adjusted earnings before interest and taxes ("adjusted EBIT") were $15.3 million compared to $11.5 million last year, an increase of 33.0% over last year. Adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") were $17.2 million compared to $13.4 million last year, an increase of 28.5% over last year. Consolidated net income (after income taxes) for the quarter was $10.5 million ($0.82 per share) compared to $7.3 million ($0.57 per share) last year, an increase of 43.6% over last year.

Consolidated revenue increased by $11.7 million (7.7%) to $164.3 million in the second quarter compared to last year, mainly the result of an 8.9% increase in sales volume. Gross profit increased by 17.3% to $28.0 million in the second quarter from $23.9 million last year reflecting increased sales volume and moderately higher average unit margins resulting from an improved product mix. Operating income increased by $2.6 million or 23.0% to $13.7 million in the second quarter of fiscal 2015.

Ridley's U.S. Feed Operations (USFO) reported a $1.4 million (35.5%) increase in operating income for the period on sales growth in most species segments. Ridley Block Operations (RBO) reported a $0.3 million (4.6%) increase in operating income over last year, mainly from strong sales growth in the beef cattle sector. Ridley Feed Ingredients (RFI) reported a $0.9 million (80.0%) increase in operating income over last year from sales volume growth and improved product mix. Ridley's share of net income from its interest in the Canadian operations of Masterfeeds LP in the second quarter improved by $1.2 million (350.0%) over last year on strong sales growth and $0.7 million in proceeds from insurance claims.

Ridley's results in the second quarter of fiscal 2015 reflect a favourable economic environment for livestock and poultry producers and solid internal performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis dated as at February 11, 2015 and the accompanying interim consolidated financial statements for the three and six months ended December 31, 2014 have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) which incorporate International Financial Reporting Standards (IFRS).

RESULTS OF OPERATIONS

The following summary is presented to assist in understanding the second quarter and year-to-date results of fiscal 2015.

Summary of Results of Operations	Three Months Ended December 31		Six Months Ended December 31	
($000, except per share data)	**2014**	**2013**	**2014**	**2013**
Revenue	**164,251**	152,535	**306,548**	286,456
Gross profit	**27,989**	23,869	**48,138**	41,640
Operating income	**13,738**	11,169	**20,845**	16,341
Net income before exceptions	**10,466**	7,288	**15,129**	10,227
Exceptions, net of income taxes(i)	**—**	—	**—**	131
Net income for the period	**10,466**	7,288	**15,129**	10,358
Net income per share, basic and diluted	**0.82**	0.57	**1.18**	0.81
Adjusted EBIT(ii)(iv)	**15,331**	11,523	**22,839**	16,460
Adjusted EBITDA(iii)(iv)	**17,156**	13,350	**26,479**	20,019

(i) Exceptions - In the preceding summary data, net income is reported before exceptions. There were no exceptions in the second quarter or year-to-date of fiscal 2015. Exceptions last year were comprised of $0.3 million, net of income taxes, from the gain on the sale of a previously closed facility in Indiana, and $0.1 million, net of income taxes, for the asset impairment loss accrued for closure of a facility in Pennsylvania.

(ii) Adjusted EBIT - Operating income and share of income of associate before exceptions.

(iii) Adjusted EBITDA - Operating income and share of income of associate before depreciation, amortization and exceptions.

(iv) EBIT and EBITDA do not have a standardized meaning prescribed by GAAP and, therefore, are not readily comparable to similar measures presented by other companies. However, management believes that these measures provide investors with useful supplemental information.

Consolidated Second Quarter Results

For the three months ended December 31, 2014, consolidated revenue was $164.3 million compared to $152.5 million in the same period last year. A comparison of revenue is not necessarily indicative of the strength of Ridley's business because revenue is influenced by fluctuating commodity prices. The increase in revenue of $11.7 million (7.7%) in the second quarter was the result of an 8.9% increase in overall tonnage volumes partly offset by a decrease in average unit prices reflecting generally lower feed ingredient prices from last year.

Consolidated gross profit in the second quarter of fiscal 2015 was $28.0 million compared to $23.9 million in the same period last year. Gross profit is a key measure of the performance of Ridley's business and generally reflects the margin of net sales revenue over ingredient cost, less manufacturing expenses. The major driver of the 17.3% increase in gross profit in the second quarter this year was the increase in overall tonnage volumes combined with higher unit margins due to a more favourable product mix. For much of last year and continuing in the current year-to-date, livestock and poultry producers have benefited from the combination of high prices for their meat, milk and egg products and lower trending costs for corn and other commodities. In this positive economic environment for producers, demand has been sustained for higher value-added animal nutrition products.

Direct production costs and manufacturing overheads, which are included in gross profits, increased by 9.5% in the second quarter over last year, largely in line with increased tonnage volumes as reflected in labor and utilities expenses as well as performance-related incentive accruals.

Operating expenses, which include administration, sales and marketing, technical services, and research and development costs, were $14.3 million in the second quarter compared to $12.7 million last year. The increase of $1.6 million (12.2%) in operating expenses this quarter is primarily related to performance-related incentive accruals.

Operating income is defined as net income before share of income of associate, finance expense, finance income and income tax expense. Operating income increased by $2.6 million or 23.0% to $13.7 million in the second quarter of fiscal 2015.

Ridley owns a non-controlling interest in Masterfeeds LP (“Masterfeeds”), an animal nutrition business in Canada formed as a limited partnership with Ag Processing Inc. Ridley’s share of the earnings of Masterfeeds is reported as share of net income of associate, which in the second quarter of fiscal 2015 was $1.6 million including $0.7 million received in insurance proceeds related to fire damage at a Masterfeeds facility in Humboldt, Saskatchewan in 2013.

Adjusted EBIT is comprised of operating income and share of net income of associate before exceptions. For the three months ended December 31, 2014, adjusted EBIT was $15.3 million compared to $11.5 million for the same period last year. The increase in adjusted EBIT of $3.8 million (33.0%) reflects the $2.6 million increase in operating income in the second quarter and the $1.2 million increase in share of net income of Masterfeeds. Adjusted EBITDA is comprised of operating income and share of net income of associate before depreciation, amortization and exceptions. For the second quarter of fiscal 2015, adjusted EBITDA was $17.2 million compared to $13.4 million for the same period last year, an increase of $3.8 million (28.5%) over last year.

Net income (net of income tax expense) for the second quarter of fiscal 2015 was $10.5 million ($0.82 per share) compared to $7.3 million ($0.57 per share) in the same period last year. Income tax expense in the second quarter averaged 30.6% of income before taxes compared to 35.4% last year. The lower rate of income tax in the second quarter this year was due to a refinement in the method of calculating the deferred tax liability related to Ridley’s investment in Masterfeeds. This adjustment in the calculation of the deferred tax liability had the effect of reducing income tax expense in the second quarter by $0.7 million.

Consolidated Six Months Results

For the six months ended December 31, 2014, consolidated revenue was $306.5 million compared to $286.5 million in the same period last year. The increase in revenue of $20.1 million (7.0%) was the result of an 8.7% increase in overall tonnage volume partly offset by a decrease in average unit prices reflecting generally lower feed ingredient prices from last year.

Consolidated gross profit for the six months ended December 31, 2014 was $48.1 million compared to $41.6 million last year. The increase in gross profits of $6.5 million (15.6%) was largely the result of the increase in overall tonnage volume and higher average unit margins due to a more favourable product mix.

Direct production costs and manufacturing overheads, which are included in gross profits, increased by 8.4% in the first six months of fiscal 2015 in line with the increase in tonnage volume as reflected in labor, incentive accruals and utilities expenses.

Operating expenses, which include administration, sales and marketing, technical services, and research and development costs, were $27.3 million in the six months ended December 31, 2014, a $2.0 million (7.9%) increase over last year. The increase in operating expenses was primarily related to accruals for performance-related incentives. Earnings exceptions last year, which are also included in operating expenses and were related to the closure and sale of two manufacturing facilities in fiscal 2014, had the effect of reducing operating expenses last year by $0.2 million.

Operating income increased by $4.5 million (27.6%) to $20.8 million in the first six months of fiscal 2015.

Ridley’s share of the income of its associate, Masterfeeds, for the first six months of this year was $2.0 million, of which $0.7 million was insurance proceeds related to a fire at a Masterfeeds facility in 2013.

Adjusted EBIT for the first half of fiscal 2015 increased to $22.8 million from $16.5 million last year. The increase in EBIT of $6.4 million (38.8%) was comprised of the $4.5 million increase in operating income this year, and the $1.7 million increase in Ridley's share of the income of its associate, Masterfeeds. Adjusted EBITDA was $26.5 million compared to $20.0 million for the same period last year, an increase of $6.5 million (32.3%).

Net income for the six months ended December 31, 2014 was $15.1 million (earnings per share of $1.18) compared to $10.4 million (earnings per share of $0.81) in the same period last year. Income tax expense for the year-to-date reflects a $0.7 million adjustment that resulted from refinement in the method of calculating the deferred income tax liability related to the investment in Masterfeeds.

Comprehensive Income

Comprehensive income (loss) is the change in net assets that results from transactions, events and circumstances from sources other than investments by and/or distributions to shareholders. Accumulated other comprehensive income is comprised entirely of unrealized gains and losses on the translation of the financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

Comprehensive income for the second quarter of fiscal 2015 was $9.6 million which was comprised of net income of $10.5 million, as reported above, less unrealized losses of $0.8 million on the translation of the financial statements of related entities with foreign functional currency to U.S. dollar reporting currency. Comprehensive income for the six months ended December 31, 2014 was $13.1 million, which was comprised of net income of $15.1 million, as reported above, less unrealized losses of $2.1 million on the translation of the financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

Reconciliation of Non-GAAP Financial Measures

Ridley reports its financial results according to IFRS that have been incorporated into the CPA Canada Handbook. However, Ridley has included in this management discussion and analysis certain non-IFRS financial measures and ratios that it believes provide useful information in measuring the financial performance and financial condition of Ridley. These measures and ratios do not have a standardized meaning prescribed by IFRS 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 IFRS.

Starting in the second quarter of fiscal 2015, Ridley includes the share of net income or loss of associate in its presentation of adjusted EBITDA, a non-IFRS measure, to reflect the material and continuing contribution of Masterfeeds to Ridley's performance.

The following table presents a reconciliation of adjusted EBIT and adjusted EBITDA to net income, the most closely comparable GAAP measure to adjusted EBIT and adjusted EBITDA:

Reconciliation of Adjusted EBIT and Adjusted EBITDA to Net Income	Three Months Ended December 31		Six Months Ended December 31	
($000)	**2014**	**2013**	**2014**	**2013**
Net income for the period	**10,466**	7,288	**15,129**	10,358
Income tax expense	**4,619**	3,998	**7,182**	5,847
Share of net income of associate	**(1,593)**	(354)	**(1,994)**	(336)
Finance expense	**279**	266	**581**	532
Finance income	**(33)**	(29)	**(53)**	(60)
Operating income	**13,738**	11,169	**20,845**	16,341
Share of net income of associate	**1,593**	354	**1,994**	336
Gain on sale of facilities	**—**	—	**—**	(420)
Asset impairment loss	**—**	—	**—**	203
Adjusted EBIT	**15,331**	11,523	**22,839**	16,460
Depreciation of property, plant and equipment	**1,561**	1,594	**3,117**	3,092
Amortization of intangible assets	**264**	233	**523**	467
Adjusted EBITDA	**17,156**	13,350	**26,479**	20,019

SEGMENT RESULTS

The following is a summary of consolidated operating income (loss) of the reporting segments of the Company's operations for the second quarter and six months year-to-date of fiscal 2015 and 2014. "Corporate" in this presentation includes the consolidating elimination of intersegment sales.

Operating Income (Loss)	Three Months Ended December 31		Six Months Ended December 31	
($000)	**2014**	**2013**	**2014**	**2013**
U.S. Feed Operations (USFO)	**5,373**	3,966	**8,447**	6,372
Ridley Feed Ingredients (RFI)	**1,951**	1,084	**3,317**	1,459
Ridley Block Operations (RBO)	**7,277**	6,954	**10,787**	10,169
Corporate	**(863)**	(835)	**(1,706)**	(1,659)
Consolidated operating income	**13,738**	11,169	**20,845**	16,341

U.S. Feed Operations (USFO)

The USFO segment consists of twenty full-line production facilities, operating in the United States as Hubbard Feeds. USFO plants derive most of their business from manufacturing and marketing a broad range of complete feeds, supplements and premixes to meat, milk and egg producers, and owners of equine and companion animals located mostly in the Midwestern United States.

Tonnage volume increased by 8.0% in the second quarter of fiscal 2015 compared to last year and by 7.2% for the six months year-to-date. Volume this year has benefited significantly from strong producer economics in the beef, dairy and swine sectors and solid sales management performance.

Gross profits in the second quarter this year were $14.3 million compared to $11.7 million in the same period last year. The $2.6 million increase in gross profits reflects increased sales volumes. For the year-to-date, gross profits were higher by $3.5 million over last year.

Operating expenses increased by $1.1 million in the second quarter this year, mainly the result of increased performance-related incentive accruals. For similar reasons, year-to-date operating expenses increased by $1.5 million.

Operating income for the second quarter of fiscal 2015 was $5.4 million, an increase of $1.4 million over last year. Year-to-date operating income was $8.4 million compared to $6.4 million for the same period last year.

Ridley Feed Ingredients (RFI)

The RFI segment manufactures and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives, and micro feed ingredients to customers throughout North America from its production facility in Mendota, Illinois.

Revenue in the second quarter of fiscal 2015 increased by $4.2 million or 13.9% over the same period last year as a result of sales growth in redistributed feed ingredients and value-added manufactured products. Year-to-date revenues increased by 17.9% reflecting strong producer economics in most sectors of livestock and poultry production.

Gross profit increased by $1.0 million in the second quarter over last year, mainly the result of increased sales volume and improved unit margins. Gross profit of $5.7 million for the six months year-to-date increased $2.0 million from last year.

Operating expenses increased over last year by $0.1 million in the second quarter and by $0.1 million for the six months year-to-date.

Operating income for the second quarter was $2.0 million, an increase of $0.9 million over last year reflecting the increase in gross profit for the period. Year-to-date operating income was $3.3 million compared to $1.5 million last year.

Ridley Block Operations (RBO)

The RBO segment manufactures and markets a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks, minerals, and dried molasses from eight U.S. facilities.

RBO's tonnage volume in the second quarter of fiscal 2015 increased by 11.7% over last year on strong sales volumes driven by a favourable economic environment in the beef sector. For similar reasons, year-to-date volume increased by 9.2%.

Gross profits in the second quarter increased by $0.6 million or 5.9% over last year reflecting increased sales volumes. Direct production costs and manufacturing overheads, which are included in gross profits, increased by 17.7% in the second quarter, mainly due to higher tonnage volumes in the period, as reflected in labor costs, utilities, and an increase in workers compensation costs for that period. For the six months year-to-date, gross profits increased by $1.0 million (6.2%) over last year, generally in line with increased sales volumes.

Operating expenses in the second quarter of fiscal 2015 increased by $0.3 million from last year, mainly the result of higher performance-related incentive accruals. For similar reasons, operating expenses for the six months year-to-date increased by $0.4 million.

Operating income in the second quarter increased by $0.3 million over last year and by $0.6 million for the six months year-to-date.

LIQUIDITY AND CAPITAL RESOURCES

Ridley's net working capital and debt-to-equity positions are summarized below.

Balances as of: ($000)	December 31 2014	September 30 2014	June 30 2014	March 31 2014	December 31 2013
Net working capital[(i)]	**27,882**	35,256	34,730	36,078	36,200
Bank obligations	**2,432**	15,584	18,328	—	4,753
Net debt (cash surplus)[(ii)]	**1,950**	16,311	19,003	(4,051)	5,152
Equity	**129,447**	119,830	116,387	138,073	131,004
Debt to capitalization ratio[(iii)]	**1.8%**	11.5%	13.6%	—%	3.5%

(i) Net working capital is defined as current assets (excluding cash) less current liabilities (excluding outstanding cheques in excess of bank balances, short-term debt, and the current portion of long-term debt).

(ii) Net debt (cash surplus) is defined as bank obligations and outstanding cheques in excess of bank balances less cash and short-term deposits.

(iii) Capitalization is defined as bank obligations plus equity.

Net working capital balances decreased by $7.4 million in the three months between September 30, 2014 and December 31, 2014. Accounts payable and accrued liabilities balances increased by $7.2 million from the prior period due to timing of payments to suppliers. Working capital increased by an additional $3.2 million due to the seasonal increase in advances from customers who prepay their feed accounts, which are normally highest in the second quarter and are then drawn down over the remainder of the year. Accounts receivable were higher by $2.7 million from the prior quarter on seasonally increased revenues.

Compared to the same point in time a year ago, net working capital balances decreased by $8.3 million, mainly the result of higher accounts payable balances due to timing of payments to suppliers.

Net debt of $2.0 million as at December 31, 2014 was comprised of a $2.4 million balance in revolving credit and $0.7 million in outstanding cheques less $1.2 million of cash and short-term deposits. The Company's borrowing limit under its loan agreement with U.S. Bank was unchanged at $50.0 million as at December 31, 2014.

Outstanding Share Data

The Company's share capital consists of an unlimited number of common shares authorized with no par value. On December 11, 2014, the Company received approval from The Toronto Stock Exchange (the "TSX") to initiate a normal course issuer bid ("NCIB") for the Company's shares through the facilities of the TSX. The shares repurchase program permits the Company to purchase for cancellation up to 639,499 of its common shares over the twelve-month period ending December 15, 2015. As at February 11, 2015, the Company had not repurchased any shares under the current NCIB. The number of shares outstanding as at December 31, 2014 and as at February 11, 2015 was 12,789,978.

Capital Expenditures

Capital expenditures on property, plant and equipment, and intangible assets (software) in the second quarter of fiscal 2015 were $4.6 million, compared to $2.3 million in the same period a year ago. Increased capital expenditures this year reflect two facility expansion projects currently in progress. RBO is constructing a new $8.0 million feed supplement block manufacturing facility adjacent to its existing facility in Flemingsburg. RFI has commenced construction of a $4.5 million addition to its facility in Mendota. Both projects are expected to be completed in fiscal 2016. Total capital expenditures year-to-date were $7.0 million compared to $3.7 million last year.

Investment in Masterfeeds LP

Masterfeeds is a Canadian-based animal nutrition business formed as a limited partnership by Ridley and Ag Processing Inc. Ridley owns a non-controlling equity interest in Masterfeeds, reported as an

investment in associate, which was $17.9 million as at December 31, 2014. In fiscal 2013 and 2014 Ridley reported the results of its former Canadian operations as net income from discontinued operations.

On December 18, 2013 a fire at the Humboldt, Saskatchewan feed plant owned and operated by Masterfeeds caused significant damage to the building and equipment forcing the facility to close while repairs are made. The cost of repairs is expected to be substantially covered by insurance. Production at the facility has resumed on a limited basis and is expected to be fully operational by the spring of 2015.

CASH FLOW

For the second quarter of fiscal 2015, cash generated from operations net of investing activities was $14.4 million compared to $9.5 million in the same three-month period last year. The increase of $4.9 million is the result of an increase in cash from operating activities of $6.4 million and a $1.1 million cash distribution from Masterfeeds, offset by a $2.4 million increase in capital expenditures primarily related to expansion projects at the Company's Mendota, Illinois and Flemingsburg, Kentucky facilities. For the six months year-to-date, cash generated from operations net of investing activities increased to $17.1 million compared to $10.8 million last year.

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

Summary of Cash Flows Net of Investing Activities	**Three Months Ended December 31**		**Six Months Ended December 31**	
($000)	**2014**	**2013**	**2014**	**2013**
Net income	**10,466**	7,288	**15,129**	10,358
Depreciation and amortization	**1,825**	1,827	**3,640**	3,559
Other items not affecting cash(i)	**(2,119)**	(677)	**(2,353)**	(953)
Net change in non-cash working capital balances(ii)	**7,978**	2,894	**7,199**	(159)
Net post-employment benefit expense (contributions)(iii)	**212**	653	**(35)**	1,305
Net cash from operating activities	**18,362**	11,985	**23,580**	14,110
Capital expenditures, including other intangibles	**(4,636)**	(2,252)	**(6,974)**	(3,739)
Net proceeds on property disposals	**23**	5	**23**	760
Increase in loans receivable, net	**(432)**	(273)	**(594)**	(334)
Distributions from associate	**1,068**	—	**1,068**	—
Cash flows net of investing activities	**14,385**	9,465	**17,103**	10,797

(i) Other items not affecting cash include deferred income taxes, asset impairment losses or reversals, gains or losses on sales of property, plant and equipment and facilities, share of income of associate, and other non-cash expenses.
(ii) Net change in non-cash working capital balances and other balances related to operations.
(iii) Post-employment benefit expense net of employer contributions to post-employment benefit plans.

SELECTED QUARTERLY FINANCIAL INFORMATION

($000, except per share data)	Fiscal Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue[(i)]	2015	142,297	**164,251**		
	2014	133,921	**152,535**	147,581	134,654
	2013	143,061	**157,065**	144,571	130,053
Net income before discontinued operations and exceptions[(ii)] net of income taxes	2015	4,663	**10,466**		
	2014	2,853	**7,304**	7,972	2,252
	2013	5,135	**5,689**	5,539	1,561
Net income per share before discontinued operations and exceptions[(ii)] net of income taxes	2015	0.36	**0.82**		
	2014	0.22	**0.57**	0.62	0.18
	2013	0.40	**0.45**	0.43	0.12
Net income[(iii)]	2015	4,663	**10,466**		
	2014	3,070	**7,288**	7,968	2,343
	2013	5,073	**6,370**	5,413	1,647
Net income per share	2015	0.36	**0.82**		
	2014	0.24	**0.57**	0.62	0.19
	2013	0.40	**0.50**	0.42	0.12

(i) Revenue in fiscal 2013 and 2014 has been restated to exclude discontinued operations comprised of the Company's Canadian feed operations, which were substantially contributed to Masterfeeds LP in November 2012.
(ii) Exceptions include asset impairment losses and recoveries, gains and losses on the sale of facilities, and other costs.
(iii) Net income in fiscal 2013 and 2014 reflects the Company's adoption of amendments to IAS 19.

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 typically increases demand for beef cattle feed. Other product lines are only marginally affected by seasonal conditions. Certain of the raw materials comprising the Company's products incorporate commodity-based products and the by-products of commodity processing. Fluctuating commodity prices may therefore influence revenues and associated cost of sales as the Company's selling prices are adjusted to reflect current raw materials markets.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer have each signed form "52-109F2 - Certification of Interim Filings" and filed it with the appropriate securities regulators in Canada in compliance with *National 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.

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 Management's Discussion and Analysis 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 major external drivers of Ridley's animal nutrition business are the prevailing economic conditions for producers of meat, milk and egg products, as well as market dynamics for feed ingredients purchased by producers or used as raw materials in the production of feed products, and weather related factors that affect the availability and quality of pastures and forages for livestock. The current economic environment has been generally favourable for livestock and poultry producers. Market prices for meat, milk and egg products are currently high by historical standards. Most feed grains and basic ingredient prices are currently lower relative to last year, which is beneficial for producers' cost of production. However, there are considerable challenges in anticipating the future direction of economic conditions for livestock and poultry producers. The potential for volatility in feed ingredient prices will remain an important driver for Ridley's results in 2015. In the face of external uncertainties, Ridley continues to improve its cost competitiveness and customer service through initiatives to improve operating efficiencies, implementation of lean manufacturing techniques and focus on meeting the demand for value-added animal nutrition products.

Ridley Inc., headquartered in Mankato, Minnesota, is one of North America's leading commercial animal nutrition companies. Ridley employs approximately 700 people in the manufacture, sales and marketing 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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For more information, please contact:

Steve VanRoekel, President & CEO
RIDLEY Inc.
(507) 388-9400

Gordon Hildebrand, Chief Financial Officer
RIDLEY Inc.
(507) 388-9400

RIDLEY Inc.

2015 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars)

Three and Six Months Ended December 31, 2014 and 2013

The Company's independent external auditors, PricewaterhouseCoopers LLP have not audited these interim consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of U.S. dollars) (unaudited)

	Note	December 31 2014	June 30 2014	December 31 2013
ASSETS				
Current assets				
Cash		**1,173**	1,115	2,312
Accounts receivable		**30,398**	22,238	30,181
Inventories	7	**40,557**	43,225	39,557
Income taxes recoverable		**65**	225	—
Prepaid and other current assets		**1,403**	1,478	1,579
Current portion of loans receivable		**929**	296	707
Total current assets		**74,525**	68,577	74,336
Non-current assets				
Loans receivable		**85**	124	46
Assets-held-for-sale	9	**200**	200	200
Property, plant and equipment		**68,721**	64,902	64,354
Deferred income tax asset		**6,998**	7,386	7,623
Investment in associate	10	**17,853**	18,401	17,347
Intangible assets		**7,508**	8,020	8,259
Goodwill		**38,928**	38,928	38,928
Total non-current assets		**140,293**	137,961	136,757
TOTAL ASSETS		**214,818**	206,538	211,093
LIABILITIES and SHAREHOLDERS' EQUITY				
Current liabilities				
Outstanding cheques in excess of bank balances		**691**	1,790	2,711
Accounts payable and accrued liabilities		**39,447**	31,745	31,207
Advances from customers		**3,556**	987	2,949
Income taxes payable		**2,467**	—	1,668
Short-term debt		**2,432**	18,328	—
Total current liabilities		**48,593**	52,850	38,535
Non-current liabilities				
Long-term debt		**—**	—	4,753
Deferred income tax liability		**15,901**	16,077	16,863
Other accrued liabilities		**1,273**	1,584	1,523
Post-employment benefit obligations		**19,604**	19,640	18,415
Total non-current liabilities		**36,778**	37,301	41,554
Total liabilities		**85,371**	90,151	80,089
Shareholders' equity				
Share capital	12	**53,159**	53,159	53,159
Retained earnings		**78,558**	63,429	77,255
Accumulated other comprehensive income (loss)		**(2,270)**	(201)	590
Total shareholders' equity		**129,447**	116,387	131,004
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY		**214,818**	206,538	211,093

Refer to accompanying notes to the interim consolidated financial statements. Certain prior period figures have been reclassified to conform to presentation in the current period – See Note 17.

Approved by the Board of Directors

(signed) *"B. P. Martin"*
B.P. Martin, Director

(signed) *"W. Harden"*
W. Harden, Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Expressed in thousands of U.S. dollars) (unaudited)

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2014	**2013**	**2014**	**2013**
Revenue		**164,251**	152,535	**306,548**	286,456
Cost of sales	7	**136,262**	128,666	**258,410**	244,816
Gross profit		**27,989**	23,869	**48,138**	41,640
Operating (income) expenses					
Technical services, selling and administrative		**14,351**	12,722	**27,223**	25,377
Other income		**(247)**	(174)	**(178)**	(99)
Gain on sale of facilities	9	**—**	—	**—**	(420)
Research and development		**147**	152	**248**	238
Asset impairment	9	**—**	—	**—**	203
Net operating expenses		**14,251**	12,700	**27,293**	25,299
Operating income		**13,738**	11,169	**20,845**	16,341
Share of net income of associate	10	**1,593**	354	**1,994**	336
Finance expense		**(279)**	(266)	**(581)**	(532)
Finance income		**33**	29	**53**	60
Income before income taxes		**15,085**	11,286	**22,311**	16,205
Income tax expense	11	**4,619**	3,998	**7,182**	5,847
Net income for the period		**10,466**	7,288	**15,129**	10,358
Retained earnings, beginning of period		**68,092**	69,967	**63,429**	66,897
Net income for the period		**10,466**	7,288	**15,129**	10,358
Retained earnings, end of period		**78,558**	77,255	**78,558**	77,255
Net income per share, basic and diluted		**0.82**	0.57	**1.18**	0.81

Refer to accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in thousands of U.S. dollars) (unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2014	**2013**	**2014**	**2013**
Net income for the period	**10,466**	7,288	**15,129**	10,358
Items that may be reclassified to net income:				
Unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency	**(849)**	(800)	**(2,069)**	(278)
Other comprehensive loss for the period	**(849)**	(800)	**(2,069)**	(278)
Comprehensive income for the period	**9,617**	6,488	**13,060**	10,080

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of U.S. dollars) (unaudited)

	Note	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Equity
Balance at June 30, 2013		53,159	66,897	868	120,924
Change in currency translation		—	—	(278)	(278)
Net income for the period		—	10,358	—	10,358
Balance at December 31, 2013	12	53,159	77,255	590	131,004

	Note	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Equity
Balance at June 30, 2014		**53,159**	**63,429**	**(201)**	**116,387**
Change in currency translation		**—**	**—**	**(2,069)**	**(2,069)**
Net income for the period		**—**	**15,129**	**—**	**15,129**
Balance at December 31, 2014	12	**53,159**	**78,558**	**(2,270)**	**129,447**

Accumulated other comprehensive income (loss) is comprised entirely of the unrealized loss on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

Refer to accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. dollars) (unaudited)

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2014	**2013**	**2014**	**2013**
Cash flow from operating activities					
Net income for the period		**10,466**	7,288	**15,129**	10,358
Add (deduct) items not affecting cash:					
Depreciation of property, plant and equipment		**1,561**	1,594	**3,117**	3,092
Deferred income taxes		**(527)**	(335)	**(375)**	(431)
Asset impairment loss	9	**—**	—	**—**	203
Share of net income of associate	10	**(1,593)**	(354)	**(1,994)**	(336)
(Gain) loss on sale of property, plant and equipment		**(5)**	5	**4**	18
Gain on sale of facilities	9	**—**	—	**—**	(420)
Amortization of intangible assets		**264**	233	**523**	467
Post-employment benefit expense		**745**	655	**1,489**	1,310
Other items not affecting cash		**(32)**	(195)	**—**	(175)
		10,879	8,891	**17,893**	14,086
Net change in non-cash working capital and other balances related to operations:					
Accounts receivable		**(2,657)**	(4,024)	**(8,148)**	(4,860)
Inventories	7	**(399)**	1,221	**2,668**	2,421
Prepaid and other current assets		**233**	356	**75**	(738)
Accounts payable and accrued liabilities		**7,366**	868	**7,420**	1,049
Advances from customers		**3,192**	2,258	**2,569**	2,282
Income taxes payable and recoverable		**281**	2,417	**2,627**	(125)
		8,016	3,096	**7,211**	29
Contributions to post-employment benefit plans		**(533)**	(2)	**(1,524)**	(5)
Net cash from operating activities		**18,362**	11,985	**23,580**	14,110
Cash flow from investing activities					
Proceeds on disposal of property, plant and equipment and facilities		**23**	5	**23**	760
Purchase of property, plant and equipment		**(4,636)**	(2,233)	**(6,963)**	(3,689)
Purchase of intangible assets		**—**	(19)	**(11)**	(50)
Increase in loans receivable, net		**(432)**	(273)	**(594)**	(334)
Distributions from associate	10	**1,068**	—	**1,068**	—
Net cash for investing activities		**(3,977)**	(2,520)	**(6,477)**	(3,313)
Cash flow from financing activities					
Repayment of short- and long-term debt		**(13,158)**	(10,627)	**(17,768)**	(12,653)
Proceeds from short- and long-term debt		**—**	—	**1,860**	5,367
Net cash for financing activities		**(13,158)**	(10,627)	**(15,908)**	(7,286)
Effect of exchange rate changes on cash		**(18)**	(6)	**(38)**	(5)
Increase (decrease) in cash and cash equivalents		**1,209**	(1,168)	**1,157**	3,506
Cash and cash equivalents – beginning of period		**(727)**	769	**(675)**	(3,905)
Cash and cash equivalents – end of period		**482**	(399)	**482**	(399)
Cash and cash equivalents are comprised of:					
Cash		**1,173**	2,312	**1,173**	2,312
Outstanding cheques in excess of bank balances		**(691)**	(2,711)	**(691)**	(2,711)
		482	(399)	**482**	(399)

Refer to accompanying notes to the interim consolidated financial statements. Certain prior period figures have been reclassified to conform to presentation in the current period – See Note 17.

(Expressed in U.S. Dollars unless otherwise indicated)

1. Nature of business

Ridley Inc. (the Company) manufactures and distributes a full range of animal nutrition products including formulated complete feeds, premixes, feed blocks, animal care products, supplements, feed ingredients and animal health products. The Company's customers are located primarily in North America. The Company is incorporated in the province of Manitoba, with its registered office at c/o Aikins, MacAulay & Thorvaldson LLP, 30th Floor, 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

The Company's corporate office and principal place of business is located at 424 North Riverfront Drive, Mankato, Minnesota, U.S.A., 56001. The ultimate controlling party of Ridley Inc. is Fairfax Financial Holdings Limited (Fairfax), a publicly listed company.

The Company's financial statements include the accounts for its wholly owned subsidiary Ridley U.S. Holdings Inc., a U.S. entity. The financial statements of Ridley U.S. Holdings Inc. herein include its wholly owned subsidiary Ridley USA Inc., a U.S. entity. The Company applies the equity method to record changes in its 30% equity investment in Masterfeeds Limited Partnership (Masterfeeds).

The Company is organized into four business units: U.S. Feed Operations (USFO), Ridley Feed Ingredients (RFI), Ridley Block Operations (RBO) and Corporate. These business units are described in Note 6.

The beef cattle feed sector of Ridley's business is seasonal, with a higher percentage of feed sold and earnings generated during the winter months. This seasonality is driven largely by weather conditions. If the weather is particularly cold and snowy during the winter, sales of feed for cattle increase as compared with normal seasonal patterns because the cattle are unable to graze under those conditions and have high energy requirements. If the weather is relatively warm during the winter, sales of feed for cattle may decrease as compared with normal seasonal patterns because the cattle may be better able to graze under those conditions. Other product lines are affected only marginally by seasonal conditions.

2. Basis of presentation

The Company prepares its unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the CPA Canada Handbook. The CPA Canada Handbook incorporates International Financial Reporting Standards (IFRS). These unaudited interim consolidated financial statements comply with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB); accordingly, certain note disclosures included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the fiscal year ended June 30, 2014.

The Audit Committee on behalf of the Board of Directors approved the unaudited interim consolidated financial statements on February 11, 2015.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses during the applicable reporting periods. Critical accounting estimates and judgments are described in Note 4.

The unaudited interim consolidated financial statements are prepared under the historical-cost convention, except certain financial instruments, post-employment benefit plans and provisions measured at their fair value.

The consolidated financial statements are presented in U.S. dollars, which is the U.S. subsidiaries' functional currency and the presentation currency of the Company. The U.S. dollar is the presentation currency as significantly all of the Company's revenue is denominated in U.S. dollars. Reporting in U.S. dollars increases transparency by significantly reducing the volatility of results due to fluctuation in the rate of exchange between the U.S. and Canadian currencies. The Canadian dollar is the functional currency of the Company's related entities in Canada. All amounts reported are in U.S. dollars unless otherwise stated.

3. Significant accounting policies

The significant accounting policies are unchanged from those set out in the Company's fiscal 2014 audited annual consolidated financial statements except for the adoption of amendments described in Note 5. These policies have been applied to all periods presented in these interim consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

4. Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognized in the period that the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that are critical to the determination of carrying value of assets and liabilities are as follows:

a) Impairment of goodwill and other intangibles

A critical component of impairment testing is determining the asset's recoverable value. Determining recoverable value involves significant management judgment including projections of future cash flows and appropriate discount rates. Qualitative factors include market presence and trends, customer relations, strength of local management, debt and capital markets, variability in cash flows, and other factors considered in the development of cash flow projections and selection of discount rates. The discounted cash flow projections used in determining recoverable value are subject to sensitivity in discount rates, expected cash flows, and assumed growth rates used for extrapolation purposes. A change in any significant assumption or estimate may result in a material change in the recoverable value.

b) Post-employment benefit plans

Accounting for pension and post-retirement benefit plan obligations requires the use of actuarial assumptions. These assumptions depend on underlying economic conditions, government regulations, discount rates, investment performance, and mortality rates. These assumptions can change in the future and may result in a material change to post-employment benefit plan obligations and/or expense.

c) Income taxes

Significant management judgment is required to determine deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized based on their best estimate of the likely timing that the temporary differences will be realized and the likelihood that taxable profits will exist in the future. If the assessment of the Company's ability to utilize the underlying deferred income tax deductions changes, then an increase in income tax would occur in the period in which the change is determined.

The Company maintains provisions for uncertain income tax positions with respect to income tax matters under discussion, dispute or appeal with tax authorities or otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. However, it is possible that the outcome of these matters is different from the amounts initially recorded; such difference will affect income tax in the period in which such determination is made.

5. Accounting standards development

Adoption of new and amended accounting standards

The Company adopted the following new accounting standards effective July 1, 2014:

Amendments to IAS 36 Impairment of Assets
In May 2013, the IASB issued limited scope amendments to IAS 36 "Impairment of Assets - Recoverable Amounts Disclosures for Non-Financial Assets" clarifying the requirement to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit for which a material impairment loss was recognized or reversed during the reporting period. In addition, the amendments require an entity to disclose the discount rate used in a present value technique that had been used in determining the recoverable amount of an impaired asset on the basis of fair value less costs of disposal. The Company has adopted these amendments effective July 1, 2014, and has determined that there is no impact to the consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation
In December 2011, the IASB amended IAS 32 "Financial Instruments: Presentation", clarifying the requirements for offsetting financial assets and liabilities. Previously, IAS 32 required an entity to offset a financial asset and financial liability only when the entity had a legally enforceable right to offset and intended to settle on a net basis or realize the asset and settle the liability simultaneously. The amendment clarifies that the right of offset must be available today and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency, or bankruptcy. The Company has adopted these amendments effective July 1, 2014, and has determined that there is no impact to the consolidated financial statements.

Amendments to IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions
In November 2013, the IASB further amended IAS 19 to simplify the accounting for contributions from employees or third parties, that are independent of the number of years of employee service, to defined benefit plans. The Company has adopted these amendments effective July 1, 2014, and has determined that there is no impact to the consolidated financial statements.

Annual Improvements 2010-2012 Cycle
Annual Improvements 2010-2012 Cycle was issued in December 2013 by the IASB, and includes minor amendments to seven IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The Company has adopted Annual Improvements 2010-2012 Cycle effective July 1, 2014, and has determined that there is no impact to the consolidated financial statements.

Annual Improvements 2011-2013 Cycle
Annual Improvements 2011-2013 Cycle was issued in December 2013 by the IASB, and includes minor amendments to four IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The Company has adopted Annual Improvements 2011-2013 Cycle effective July 1, 2014, and has determined that there is no impact to the consolidated financial statements.

Accounting standards issued but not yet adopted

The following are new or amended standards issued by the IASB that are not yet effective, and have not been applied in preparing these interim consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements
In December 2014, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” as part of their Disclosure Initiative project aimed at improving presentation and disclosure requirements. The amendments do not significantly change existing requirements, but instead primarily clarify guidance related to materiality, significant accounting policy designation, and considerations to be made in exercising professional judgement in disclosure matters. The amendments also add requirements for how subtotals should be presented in the statements of income and other comprehensive income and the statement of financial position. These amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

Amendments to IAS 27 Separate Financial Statements
In August 2014, the IASB issued minor amendments to IAS 27 “Separate Financial Statements” allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures
In September 2014, the IASB issued minor amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” related to the accounting for a sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full gain or loss be recognized when a transaction involves a business and a partial gain or loss be recognized when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary. These amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", a product of the joint efforts of the IASB and the Financial Accounting Standards Board (FASB) to converge revenue accounting standards. The new standard lays out the following five-step process for recognizing revenue: (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when a performance obligation is satisfied. The standard also includes a comprehensive set of interim and annual disclosure requirements that require an entity to disclose certain qualitative and quantitative information about its contracts with customers, including the nature, amount, timing and uncertainty of revenue. This standard is effective for the first interim period within the annual period beginning on or after January 1, 2017; retrospective application, in one of two forms, is required and early adoption is permitted. Given the nature of the Company's revenue, the issuance of this standard is not expected to have a significant impact on revenue recognition; however, further interim and annual disclosures will be required in the Company's consolidated financial statements for fiscal 2018.

Amendments to IFRS 11 Joint Arrangements

In May 2014, the IASB issued minor amendments to IFRS 11 "Joint Arrangements" concerning accounting for acquisitions of interests in joint operations. These amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

In May 2014, the IASB issued minor amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" clarifying acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments: Disclosures

In July 2014, the IASB issued the complete version of IFRS 9 "Financial Instruments" which replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes requirements for the classification and measurement of financial assets and financial liabilities, an expected credit losses model that replaces the existing incurred loss impairment model, and a reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted in certain circumstances. IFRS 7 "Financial Instruments: Disclosures" was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39 to IFRS 9. These amendments are effective on adoption of IFRS 9 with early adoption permitted where IFRS 9 is also early adopted.

Annual Improvements 2012-2014 Cycle

Annual Improvements 2012-2014 Cycle was issued in September 2014 by the IASB, and includes minor amendments to four IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

While the Company is currently assessing the impact of these amendments or standards, it does not expect the amendments or standards to have a material impact on the Company's consolidated financial statements.

6. Segment Information

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. The Company's operations are conducted in four reportable segments as U.S. Feed Operations (USFO), Ridley Feed Ingredients (RFI), Ridley Block Operations (RBO), and Corporate.

The USFO segment consists of twenty full-line production facilities operating in the United States as Hubbard Feeds. USFO plants derive most of their business from manufacturing and marketing a broad range of complete feeds, supplements and premixes to meat, milk and egg producers, and owners of equine and companion animals located mostly in the Midwestern United States.

The RFI segment produces and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives, and micro feed ingredients to customers throughout North America from its production facility in Mendota, Illinois.

The RBO segment manufactures a complete range of block supplements, including low moisture, pressed, compressed, composite and poured blocks, minerals, and dried molasses from eight U.S. facilities.

The Corporate segment contains no substantial revenue, 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 income before share of net income of associate, finance expense, finance income, and income taxes.

An analysis of segment information is as follows:

Three Months Ended December 31, 2014 ($000)	**USFO**	**RFI**	**RBO**	**Corporate & Eliminations**	**Consolidated**
Revenue					
Revenue from unaffiliated customers	**111,235**	**18,239**	**34,777**	**—**	**164,251**
Intersegment revenues	**2,519**	**16,616**	**11,884**	**(31,019)**	**—**
Revenue	**113,754**	**34,855**	**46,661**	**(31,019)**	**164,251**
Cost of sales	**99,472**	**31,663**	**36,146**	**(31,019)**	**136,262**
Gross profit	**14,282**	**3,192**	**10,515**	**—**	**27,989**
Net operating expenses	**8,909**	**1,241**	**3,238**	**863**	**14,251**
Operating income (loss)	**5,373**	**1,951**	**7,277**	**(863)**	**13,738**
Purchases of property, plant and equipment and intangible assets	**1,039**	**1,143**	**2,454**	**—**	**4,636**
Share of income of associate	**—**	**—**	**—**	**(1,593)**	**(1,593)**
Depreciation of property, plant and equipment	**935**	**111**	**515**	**—**	**1,561**
Amortization of intangible assets	**81**	**29**	**154**	**—**	**264**

Three Months Ended December 31, 2013 ($000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue					
Revenue from unaffiliated customers	105,326	15,896	31,313	—	152,535
Intersegment revenues	2,088	14,716	10,555	(27,359)	—
Revenue	107,414	30,612	41,868	(27,359)	152,535
Cost of sales	95,684	28,399	31,942	(27,359)	128,666
Gross profit	11,730	2,213	9,926	—	23,869
Net operating expenses	7,764	1,129	2,972	835	12,700
Operating income (loss)	3,966	1,084	6,954	(835)	11,169
Purchases of property, plant and equipment and intangible assets	1,092	72	1,088	—	2,252
Share of income of associate	—	—	—	(354)	(354)
Depreciation of property, plant and equipment	973	110	511	—	1,594
Amortization of intangible assets	62	22	149	—	233

Six Months Ended December 31, 2014 ($000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue					
Revenue from unaffiliated customers	**212,209**	**36,433**	**57,906**	**—**	**306,548**
Intersegment revenues	**4,023**	**31,024**	**19,055**	**(54,102)**	**—**
Revenue	**216,232**	**67,457**	**76,961**	**(54,102)**	**306,548**
Cost of sales	**190,682**	**61,790**	**60,040**	**(54,102)**	**258,410**
Gross profit	**25,550**	**5,667**	**16,921**	**—**	**48,138**
Net operating expenses	**17,103**	**2,350**	**6,134**	**1,706**	**27,293**
Operating income (loss)	**8,447**	**3,317**	**10,787**	**(1,706)**	**20,845**
Balances at December 31, 2014 ($000)					
Total assets	**92,144**	**24,852**	**71,733**	**26,089**	**214,818**
Property, plant and equipment	**35,337**	**5,582**	**27,802**	**—**	**68,721**
Investment in associate	**—**	**—**	**—**	**17,853**	**17,853**
Goodwill	**14,298**	**4,327**	**20,303**	**—**	**38,928**
Six Months Ended December 31, 2014 ($000)					
Purchase of property, plant and equipment and intangible assets	**1,843**	**1,685**	**3,446**	**—**	**6,974**
Share of income of associate	**—**	**—**	**—**	**(1,994)**	**(1,994)**
Depreciation of property, plant and equipment	**1,870**	**218**	**1,029**	**—**	**3,117**
Amortization of intangible assets	**160**	**57**	**306**	**—**	**523**

Six Months Ended December 31, 2013 ($000)	USFO	RFI	RBO	Corporate & Eliminations	Consolidated
Revenue					
Revenue from unaffiliated customers	204,550	29,592	52,314	—	286,456
Intersegment revenues	3,756	27,609	18,633	(49,998)	—
Revenue	208,306	57,201	70,947	(49,998)	286,456
Cost of sales	186,302	53,504	55,008	(49,998)	244,816
Gross profit	22,004	3,697	15,939	—	41,640
Net operating expenses	15,632	2,238	5,770	1,659	25,299
Operating income (loss)	6,372	1,459	10,169	(1,659)	16,341
Balances at December 31, 2013 ($000)					
Total assets	92,583	22,362	68,866	27,282	211,093
Property, plant and equipment	35,541	4,150	24,663	—	64,354
Investment in associate	—	—	—	17,347	17,347
Goodwill	14,298	4,327	20,303	—	38,928
Six Months Ended December 31, 2013 ($000)					
Purchase of property, plant and equipment and intangible assets	2,022	225	1,492	—	3,739
Share of income of associate	—	—	—	(336)	(336)
Depreciation of property, plant and equipment	1,864	219	1,009	—	3,092
Amortization of intangible assets	127	43	297	—	467

7. Inventories

($000)	December 31 2014	June 30 2014	December 31 2013
Raw materials	**28,542**	31,063	28,307
Finished goods	**12,015**	12,162	11,250
Total	**40,557**	43,225	39,557

Cost of sales consists of the following:

	Three Months Ended December 31		Six Months Ended December 31	
($000)	**2014**	**2013**	**2014**	**2013**
Raw materials and products consumed	**119,766**	112,120	**223,270**	212,714
Direct labour and fringe benefits	**5,533**	4,884	**10,704**	9,531
Other production costs	**7,111**	6,667	**13,644**	12,925
Net change in inventories	**(399)**	1,221	**2,668**	2,421
Inventories recognized as expense	**132,011**	124,892	**250,286**	237,591
Non allocated costs	**4,251**	3,774	**8,124**	7,225
Cost of sales	**136,262**	128,666	**258,410**	244,816

8. Statement of cash flow disclosures

Interest and income taxes paid are as follows:	Three Months Ended December 31		Six Months Ended December 31	
($000)	**2014**	**2013**	**2014**	**2013**
Interest	**71**	77	**117**	124
Income taxes, net of refunds	**4,865**	1,915	**4,930**	6,388

9. Assets-held-for-sale, gain on sale of land, and impairment loss

Assets-held-for-sale at December 31, 2014, June 30, 2014 and December 31, 2013 consists of land and building associated with the closure of a production facility in Chambersburg, Pennsylvania.

During the first six months of fiscal 2015, there has been no activity related to assets-held-for-sale.

During the first six months of fiscal 2014, the Company's U.S. Feed Operations recorded a pre-tax impairment loss of $203,000 upon closure of its Chambersburg, Pennsylvania production facility. The value was reduced to the carrying cost of the associated property of $200,000. The decision to discontinue production at the Chambersburg facility was made after the Company determined its equine products could be manufactured more efficiently at its other locations. This segment also recorded a pre-tax gain of $420,000 in the first six months of fiscal 2014 from the sale of land associated with the closed production facility in Castleton, Indiana on net proceeds of $750,000.

10. Investment in associate

Activity of the investment in associate for the six months ended December 31, 2014 and 2013 is:

($000)	
Investment in Masterfeeds at June 30, 2013	**17,218**
Share of net income	336
Foreign currency adjustment	(207)
Investment in Masterfeeds at December 31, 2013	**17,347**

($000)	
Investment in Masterfeeds at June 30, 2014	**18,401**
Share of net income	**1,994**
Distribution received	**(1,068)**
Foreign currency adjustment	**(1,474)**
Investment in Masterfeeds at December 31, 2014	**17,853**

As a limited partnership, the associate is not subject to income taxes. Any taxable income is allocated to the respective partners.

11. Income tax

The Company's effective income tax rate approximates U.S. income tax rates. While income tax expense is impacted by the geographic distribution of income and losses within the Company, pre-tax income is predominantly generated by the Company's U.S. entities.

12. Share capital

As of December 31, 2014 and June 30, 2014, there were an unlimited number of common shares, with no par value, authorized. As of December 31, 2014 and June 30, 2014, there was $53,159,000 of common stock outstanding, or 12,789,978 shares, with weighted average common shares outstanding of the same. There were no shares of common stock outstanding purchased for cancellation and no other share activity in the six months ended December 31, 2014 and 2013.

On December 11, 2014, the Company received approval from The Toronto Stock Exchange (the TSX) to initiate a normal course issuer bid (NCIB) for the Company's shares through the facilities of the TSX. The NCIB permits the Company to purchase for cancellation up to 639,499 of its common shares over the twelve-month period ending December 15, 2015. As of December 31, 2014, the Company had not repurchased any shares under the current NCIB. Pursuant to the Company's NCIB that expired on December 15, 2014, the Company did not purchase shares in the previous twelve months.

13. Commitments and contingencies

Legal matters

The Company is subject to various product liability or general claims and legal proceedings covering matters that arise in the ordinary course of business. All such matters are adequately covered by insurance or by accruals, are without merit, or are not expected to have a material adverse effect on the financial results of the Company.

14. 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.

Assets (Liabilities)	**Carrying Value**(i)		
($000)	**December 31 2014**	**June 30 2014**	**December 31 2013**
Cash	**1,173**	1,115	2,312
Accounts receivable	**30,398**	22,238	30,181
Loans receivable	**1,014**	420	753
Financial derivative instruments included in accounts payable and accrued liabilities	**208**	149	166
Outstanding cheques in excess of bank balance	**(691)**	(1,790)	(2,711)
Accounts payable and accrued liabilities	**(39,655)**	(31,894)	(31,373)
Advances from customers	**(3,556)**	(987)	(2,949)
Short-term and long-term debt	**(2,432)**	(18,328)	(4,753)
Financial liabilities included in other accrued liabilities	**(1,273)**	(1,584)	(1,523)

(i) Carrying values of financial instruments are equivalent to, or approximate, their respective fair values.

Financial instruments are designated into one of the following categories: fair value through profit or loss, loans and receivables, held-to-maturity investments, other financial liabilities, or available-for-sale. The carrying values of financial instruments are equivalent to their respective fair value, except loans receivable, which do not have readily determinable fair values, as replacement financing is not available in the marketplace. Cash and cash equivalents, accounts receivable, and loans receivable are classified as loans and receivables and are measured at amortized cost. Financial derivative instruments are measured at fair value through profit and loss. Accounts payable and accrued liabilities, advances from customers, short-term and long-term debt and financial liabilities included in other accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

In the three and six months ended December 31, 2014, the Company recorded income of $149,000 and expense of $119,000, respectively, within cost of goods sold, associated with market valuations of derivatives (2013 – expense of $128,000 and $417,000, respectively).

The carrying value of the Company's recognized financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, advances from customers, short-term and long-term debt, and financial liabilities included in other accrued liabilities, approximate their fair value due to their current maturities, or subjection to variable interest rates.

The fair value of commodity derivatives generally reflects the estimated amounts that the Company would have to pay, or would receive, upon termination of the contracts at the reporting date, thereby reflecting the current unrealized gains or losses of open contracts. These financial derivative instruments are valued using market rates provided by the financial institution that is the counter party to these contracts.

The inputs used for fair value measurements are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and;
Level 3 - inputs for the asset or liability that are not based on observable market data.

The following tables present the classification of held for trading financial instruments within the fair value hierarchy. There were no transfers between levels in any of the periods presented.

Recurring measurements

As of December 31, 2014 ($000)	**Level 1**	**Level 2**	**Level 3**
Financial asset			
Commodities derivative contracts	**—**	**208**	**—**

As of June 30, 2014 ($000)	**Level 1**	**Level 2**	**Level 3**
Financial asset			
Commodities derivative contracts	—	149	—

As of December 31, 2013 ($000)	**Level 1**	**Level 2**	**Level 3**
Financial asset			
Commodities derivative contracts	—	166	—

15. Financial risk management

The Company is subject to a number of risk factors including ingredient prices, interest rates, foreign currency translation rates, liquidity, and customer credit performance. The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, a system of internal and disclosure controls, adherence to approved policies, and sound business practices. The Company may use certain derivative financial instruments to manage risks of fluctuation in commodity prices, interest rates, and foreign exchange rates. The Company does not purchase any derivative financial instruments for speculative purposes.

The Company's Executive Management Committee (Committee), which is comprised of the senior officers of the Company, establishes and reviews strategic and operational plans and policies, considers key business issues and makes determinations on their future direction. The Committee identifies risks, takes corrective actions, and encourages a proactive approach to risk management. In addition, these risks and related controls are reviewed with the Company's Board of Directors.

Ingredient price risk

Ingredient price risk is the risk that the prices of the raw materials used in the manufacturing of animal feeds will fluctuate. A significant component of the Company's complete feed production consists of grain and protein meal (commodities). Complete feed is sold either through spot orders, or to a lesser extent, through longer-term, fixed-price sales contracts. In order to meet short-term production requirements, the Company maintains inventories of commodities to meet production requirements.

The Company is subject to this risk from the time that commodities are purchased to the time they are sold as part of a feed product. The Company also manufactures and distributes premixes that consist of significant components of vitamins and trace minerals. Vitamin and trace mineral prices are subject to volatility created by world demand and tight supplies; moreover, they require long lead times for delivery and large minimum order sizes. The Company mitigates its price risk exposure to the extent practical through several methods, including inventory management, the use of long-term purchase contracts, back-to-back buying and selling, and to a lesser extent, hedging on regulated futures and options markets.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company finances a portion of its business using long-term variable rate credit facilities, thus exposing the Company to some risk of loss as a result of interest rate movement. The Company's strategy is to hedge, on an economic basis, its exposure to interest rates on total bank debt outstanding by utilizing interest rate hedges. The Company had $2,432,000 outstanding debt at December 31, 2014 and projected debt levels do not warrant hedging; therefore, no applicable hedges are outstanding at December 31, 2014.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that fair value will fluctuate because of changes in foreign exchange rates. The Company operates primarily in the U.S. and its operations are subject to volatility in foreign currency exchange (FX) differences when entering into contracts denominated in currencies other than U.S. dollars.

The Company's U.S. entities enter into some sales contracts in Canadian dollars; however, these contracts are not material. The Company manages the risk associated with holding U.S. and Canadian currencies by monitoring its net position and entering into forward exchange contracts when warranted for material net positions. Any gains or losses realized on FX differences on U.S. or Canadian dollar denominated transactions are recorded in other income.

The Company at times maintains inter-company loans between U.S. and Canadian entities. In these situations, forward exchange contracts are utilized to hedge fluctuations in foreign currency translation rates. Any gains or losses realized on FX differences related to U.S. dollar denominated inter-company loan transactions are recorded in finance expense. No applicable hedges are outstanding at December 31, 2014.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operational requirements and sustain growth-related capital expenditures, and by regularly monitoring actual and forecasted cash flow and debt levels. As of December 31, 2014, the Company's borrowing base under its $50,000,000 revolving credit agreement with U.S. Bank was $46,204,000, with available funds to borrow of $42,570,000. The Company is well positioned to fund acquisitions and capital investments through its credit facilities.

Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fails to meet their obligations to the Company. The Company's financial assets exposed to credit risk consist primarily of trade accounts receivable and loans receivable. Trade accounts receivable are primarily short-term receivables from customers that arise in the normal course of business. The Company has entered into certain loans and collateral agreements with customers. Generally, the acquired security is subordinate to a primary commercial lender.

The Company reduces its exposures to credit risk by a number of factors. The Company deals with a large customer base consisting of both individuals and corporations, with no single customer representing more than 5% of the Company's total gross sales. The Company's customer base is geographically dispersed and comprised of customers requiring feed and supplements for several different animal species. This tends to minimize the risk posed to the Company by economic downturns that are either species or regionally based. The Company performs regular credit evaluations on all of its customers, including review of credit limits, and monitors the timely collection of customer balances.

The carrying amount of trade accounts receivable is reduced by the use of an allowance for doubtful accounts. The amount of loss is recognized in the statement of income and retained earnings within other income. When trade receivable balances are considered uncollectible, they are written off against the allowance for doubtful accounts. Any recoveries of previously written off accounts are also recognized in other income.

Capital management

The Company's objective in managing capital is to maintain sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders.

The Company includes funded debt (short-term and long-term debt) and shareholders' equity in the management of capital. The Board of Directors of the Company has established quantitative return on equity criteria for management. The Company's strategy is to maintain its ability to secure access to financing at a reasonable cost.

16. Related party transactions

As of December 31, 2014, June 30, 2014, and December 31, 2013 Fairfax Financial Holdings Limited, the Company's majority shareholder, controlled 78.2% of the Company's outstanding shares.

Sales of product to Masterfeeds for the three and six months ended December 31, 2014 were $1,613,000 and $2,505,000, respectively (2013 – $1,468,000 and $2,026,000, respectively). Sales transactions with Masterfeeds are carried out in commercial terms and conditions at market prices.

17. Reclassification of prior period amounts

Presentation of cash and outstanding cheques in excess of bank balances has been modified in the current period to reclassify only outstanding items in excess of bank balances from cash to outstanding cheques in excess of bank balances. Comparative prior period amounts have been reclassified to conform to current period presentation ($2,293,000 as at June 30, 2014 and $5,827,000 as at December 31, 2013). There was no impact on net cash and cash equivalents.

18. Subsequent event

Effective January 31, 2015, the Company entered into a new $50,000,000 revolving credit agreement (Agreement) with U.S. Bank, maturing on January 31, 2020. The Agreement provides for an optional increase in commitments up to an additional $50,000,000. Interest is determined at the applicable London Inter-Bank Offered Rate, or equivalent rate, indicator plus applicable margin. The Agreement is secured by first-ranking general security agreements covering substantially all of the Company's assets and contains customary terms, conditions and form of borrowings.