



RENDERING SUPPLY AND INVENTORY LEGACY UPDATE

Melbourne, Australia, 16 April 2018

Ridley Corporation Limited (**Ridley**) (**ASX:RIC**) wishes to advise that supply to its rendering operation at Maroota NSW from Red Lea Chickens Pty Ltd, which appointed voluntary administrators on Thursday 29 March 2018, ceased from the start of April 2018. The ability of the business under Administration to resume supply to Ridley will take some time to determine, and it is Ridley's current assumption that there is unlikely to be any further supply in the fourth quarter of this financial year.

Based on the assumption noted above, the full year on year impact of the reduction and subsequent loss of this raw material supply to the Maroota site is estimated to be in the vicinity of \$6-7 million of EBIT, of which approximately 30% was incurred in the first half year result. This estimate is a combination of the reduction and subsequent loss of Red Lea raw material supply plus all the related follow on supply chain, processing costs and overhead recovery ramifications for the Maroota site.

Management is working through an effective realignment of operations on the site to downscale processing shifts to anticipated ongoing processing volumes. In addition, management is working on a number of initiatives to seek to develop new revenue streams for the Maroota site to replace the lost earnings.

The first of the initiatives referred to above is the processing of whole mackerel caught off the New South Wales coast under strict and sustainable quota requirements, with the aim of producing high quality fish meal and oil for the aquafeed and petfood industries. The second initiative is to develop an effective supply chain and process for the manufacture of a high protein and digestible poultry meal from spent hens at the end of their life. The third initiative is to stabilise raw material to avoid degradation prior to processing and thereby improve the quality and performance of the rendered product and increase the reach of the raw material supply chain. Each of these initiatives has the prospect of future earnings but is unlikely to contribute to the fourth quarter result of the current financial year.

Ridley wishes to further advise that it is continuing to work through a range of alternative strategies to address the raw material and finished goods Aquafeed inventory legacy issues associated with the prior cessation of supply to Huon and as reported in the half year results presentations.

While the final commercial outcome for this inventory is currently still under assessment and will be brought to account in the determination of the full year result, the second half year incremental costs are estimated to be approximately \$3 million in addition to the \$2.6 million incremental cost reported for the half year ended 31 December 2017.

For further information please contact:

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