FINAL TRANSCRIPT

Legumex Walker Inc.

First Quarter 2015 Conference Call

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good morning, ladies and gentlemen, we are now beginning Legumex Walker's first quarter 2015 conference call.

I would now like to turn the call over to Lauren Moran, Manager, Investor Relations. Please go ahead, Ms. Moran.

Lauren Moran — Manager, Investor Relations, Legumex Walker Inc.

Good morning, ladies and gentlemen, and welcome to our call.

Please note that today's call is being broadcast live over the Internet and will be archived for replays both by telephone and via the Internet, beginning approximately one hour following completion of the call. Details of how to access the replays are available in yesterday's news release.

Before we begin, please note that the Company has filed its first quarter 2015 financial statements and MD&A on SEDAR, and that material is also on the Company's website under the Investors section.

As a reminder, today's comments, as well as the Company's responses to questions, may contain forward-looking statements. Such statements are based on certain assumptions and involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those expressed or implied.

Additional information about these assumptions and factors can be found in the Company's regulatory filings in the SEDAR database at www.sedar.com.

The information presented today is current as of today's date and will not be updated.

Management will be referring to non-GAAP measures in its presentation, including EBITDA, adjusted EBITDA, and adjusted gross profit. A definition of these measures and reconciliation of the relevant financial data to GAAP measures is contained in the MD&A.

I would now like to turn the call over to Joel Horn, President and Chief Executive Officer, Legumex Walker.

Joel Horn — President and Chief Executive Officer, Legumex Walker Inc.

Thanks, Lauren, and thanks to everyone joining us on the phone and via the web.

The first quarter of 2015 demonstrated the strength in the Legumex Walker platform. In our most recent investor call, just seven weeks ago, we announced that Special Crops had earned adjusted EBITDA of $17.8 million for the 12 months ended December 31, 2014, but that most of that was achieved in the first three quarters of 2014, not in Q4 because of the late harvest that we discussed on the last call.

In the most recent quarter, January 1 through March 31, 2015, Special Crops earned an adjusted EBITDA of $5.9 million. That is four times what we earned from Special Crops in Q4.

That puts Special Crops right back on track, with commodity margins in the first quarter of 2015 of $156 per tonne compared to $141 for the first quarter of 2014.

Also, since March 31 of this year, just 45 days ago, we have collected cash receipts of approximately $32 million, of which 24 million was applied to receivables outstanding as at March 31.

I mentioned on our last call that we were working with certain loyal customers that were either state-owned entities or were in countries that were dependent on oil revenues to purchase our product. That effort has gone very well, and we should collect those receivables as oil prices increase.

I applaud the effort throughout the Special Crops team to get our margins back to and above normal levels, and for continuing to do a great job of collecting receivables.

I realize that this is the normal day-to-day operations of our business. But I feel it's important that folks know that we have a strong inflow of cash, and that we have reaffirmed our long-standing excellent relationships with our customers around the world.

Focusing on PCC, there was some good news even though the entire North American canola crush industry was working within one of the lowest crush margin environments since we commissioned the canola plant in 2013.

The continued weakness in crude oil prices and other global factors have kept board crush at some of the lowest levels in two years. These board margins have always bounced back to an industry average well above Q1. Always.

And as PCC increases the amount of non-GMO seed it crushes, the less that traditional board crush will affect PCC's financial performance. And those non-GMO tonnes crushed are increasing.

In the first quarter of 2015, PCC crushed 10 percent non-GMO seed compared to only 1 percent in the first quarter of 2014. And the total tonnes crushed increased 19 percent to 67,100 tonnes crushed in the first quarter of 2015, or 71 percent of capacity, compared to 56,400 tonnes crushed in the first quarter of 2014, or 60 percent of capacity.

So PCC crushed 10 times more non-GMO while increasing total crush by 19 percent. This bodes very well for the future, and PC is eagerly awaiting the new crop, when even more non-GMO seed should be available to crush.

I will repeat myself from the last time we spoke, PCC is intensely focused on the upcoming crop year, which should start coming off the farm in September.

I will talk some more about our strategic direction later on this call. But for now, I'd like to turn the call over to Rosemary, our Chief Financial Officer, to discuss our financial results. Rosemary?

Rosemary Brisson — Chief Financial Officer, Legumex Walker Inc.

Thank you, Joel. Before I begin, I will note that our first quarter results are detailed in our financial statements and MD&A, both of which have been filed with SEDAR and are available on our website.

As Joel indicated at the outset, our results for the first quarter of 2015 demonstrated the strength of the Legumex Walker platform, despite volume decreases in Special Crops caused by a late harvest, and the lowest crush margins since commissioning the plant which reduced the Oilseed segment results.

The Company recorded consolidated revenue of $86 million, which was $43 million less compared to 120 million in Q1 last year, primarily due to the recognition of revenue on a net basis in PCC's new processing agreement, which took effect in the fourth quarter of 2014. As such, the Oilseeds business reported a $31 million decrease in revenues.

Revenue for the Special Crops segment was $83 million, a reduction of 12.5 percent or $12 million compared to Q1 in 2015, mainly due to lower sales volumes.

In 2015, approximately 90,000 tonnes were shipped compared to 106,000 tonnes in the same period of 2014, due primarily to a late harvest in the fall of 2014, which in turn delayed deliveries and shipments.

Consolidated adjusted gross profit for Q1 decreased 5 percent to 8.5 million compared to 9 million in Q1 last year. This decrease comprised a reduction of 533,000 from the Special Crops segment, offset by a $45,000 increase from the Oilseed Processing segment.

It is important to note the Q1 2015 adjusted gross profit has increased $3.1 million over $5.4 million reported in the fourth quarter of 2014.

Special Crops adjusted gross profit decreased to $8.4 million in Q1 as a result of lower sales volumes, offset partially by $1.6 million of incremental commodity profit from increased commodity margin per tonne.

The average commodity margin for Special Crops increased 11 percent to $156 per tonne from $141 per tonne for the same period last year, on continued strengthening of the US dollar.

Average plant processing costs of approximately $60 per tonne for the 12 months ended March 31, 2015, were 4 percent higher than the average for the 12 months ended December 31, 2014, reflecting the lower volumes experienced in the first quarter of 2015.

PCC's adjusted gross profit increased to 107,000 for Q1 compared to 62,000 for the same period in 2014. The operation crushed 67,100 tonnes of canola seed, representing 71 percent operating capacity in Q1 2015, compared to 56,400 tonnes or 59 percent of capacity in the same period of the prior year.

In addition, the higher margin non-GMO tonnes crushed increased to 10 percent of total tonnes crushed compared to 1 percent in Q1 of 2014. However, the positive impact of the increase in tonnes crushed in 2015 was offset by the lowest board crush margin environment since commissioning the plant.

Excluding unrealized gains and losses on open derivative contracts, adjusted gross profit was a negative 149,000 in Q1 2015 compared to 2.2 million for the same period in 2014, which again reflects the low board crush margins experienced in the first quarter of 2015.

Consolidated selling and administrative expenses, before depreciation and nonrecurring expenses, were $5 million in Q1 2015, a reduction of $200,000 compared to the same quarter of 2014.

Selling and admin costs have been declining, on average, over the past two years as a result of a continued focus on cost management.

Consolidated adjusted EBITDA for the quarter was 3.5 million compared to 3.8 million for the same period in 2014.

The Company enters into foreign exchange contracts to protect margins on open and executed sales contracts against currency fluctuations. The continued strengthening of the US dollar contributed to $5 million in net realized foreign exchange losses, which are partially offset by higher Special Crops commodity margins in the current period.

Consolidated cash flow used by operations in Q1 was $6.6 million compared with the same period of 2014, in which cash flow of 339,000 was generated by operations.

The increased cash consumption in 2015 was due mainly to higher financing costs, as well as increased expenses associated with maintaining the Company's foreign exchange hedging strategy.

Now I will turn to the balance sheet. Our authorized operating lines of credit available at March 31, 2015, totalled approximately $89 million Canadian, against which we had available operating credit of $12 million and cash of $1 million.

Our current Canadian dollar credit facility with HSBC was increased effective March 12, 2015, from $54 million to $64 million, and will stay in place until May 31, 2015.

Noncash working capital of $102 million at March 31, 2015 increased 7 million from March 31, 2014.

Trade payables and accrued liabilities decreased $18.7 million compared to March 31, 2014, primarily due to lower levels of inventory in '15.

The 2014 comparative period inventory balance reflected a large amount of in-transit inventory linked to rail congestion.

Consolidated accounts receivable increased $4.4 million, and inventories decreased by $16.7 million compared to March 31 last year, primarily due to a change in accounting at PCC as a result of the Scoular contract.

Noncash working capital was financed by $77 million of short-term borrowings compared to $62 million last year, and resulted in operating working capital of $24 million compared to $33 million last year.

At March 31, 2015, the Company had $130 million in funded long-term debt, including the $16.5 million convertible debenture. This is compared to $109 million at March 31st last year.

The combination of these factors caused Canadian operations to exceed the target ratio of total liabilities to tangible net worth under its Canadian operating facility as at March 31, 2015.

The issue was resolved, and the lenders provided a forbearance for this ratio. However, the Company was required to reclassify its Canadian long-term debt to current for financial statement purposes only. There was no change in the debt repayment schedule. And as a result of the forbearance granted, the Company remains in compliance with all of the covenants under these facilities.

At March 31, 2015, our net book value attributable to shareholders was $80.3 million or $4.30 a share.

In summary, the first quarter of 2015 has demonstrated the strength of the Legumex Walker platform.

I will now turn the call to Joel, for closing remarks.

Joel Horn

Thanks, Rosemary. I would like to now talk about the future of our business.

As you know, on March 16th we announced the formation of a Special Committee of the Board to explore strategic alternatives available to our company. You can read that announcement on our website.

This is an ongoing process under the direction of an independent committee of the Board. As was the case on our last call, Rosemary and I still cannot answer any questions on the subject.

We appreciate your patience in this regard, and we'll provide updates to the market when appropriate.

However, as that process unfolds, so does our business strategy. We have more customers asking us for our higher-margin products every day, and in larger and larger quantities.

The last time we spoke, I said that I was used to looking at our products as peas and lentils and beans, et cetera. And today, I see protein and vitamins, Omega-3, and Omega-9, and other nutritious items that consumers want.

Obviously, we are not the only people who see this. In fact, it is quite the opposite. I think that just about everybody we talk to sees this. Whether we are at food shows or talking with our customers about their future plans, and whether it is our Special Crops customers or our PCC customers, they are all looking for ways to introduce healthier more-nutritious and more natural products into their product line.

Recently, one of our partners created and paid for an advertisement that headlined "About as a natural—about as a close to natural as you can get". They were talking about our high-oleic canola oil referring to PCC's double expeller-pressed technology and referred to Pacific Coast Canola, by name.

The market for these types of products seems to be growing at ever-increasing rates. And our Special Crops and our Pacific Coast Canola divisions are well-positioned to take advantage of these rapidly developing consumer demands.

To conclude, this story seems to get more exciting every day. And the toughest challenge is how to best allocate our resources, our people, and our capital to take advantage of these opportunities.

I hope that we will be able to get back to your soon with more answers to those questions. But I can assure you, that we are excited about these opportunities as are many others. And we are pursuing them aggressively.

With that, I'd like to open the call to questions. Operator?

Operator

Thank you. At this time, if you'd like to ask a question please press *, 1 on your telephone keypad. We'll pause for just a few moments to compile the Q&A roster.

Okay. Your first question comes from the line of Steve Hansen from Raymond James. Your line is open.

Joel Horn

Hi, Steve.

Unidentified Speaker

Morning, guys. It's actually Dan (phon) filling in for Steve this morning.

Joel Horn

Hi, Dan.

Unidentified Speaker

Just a couple of quick questions here. Hey, guys. I'm just wondering how the Scoular agreement is progressing? We've seen relatively flat utilizations from the fourth quarter to the first quarter even though it looks like there has been some improvements in rail service. Say if just give us—can you give us an idea of some of the tangible benefits you've seen so far? And maybe how your throughputs are looking in April and May?

Joel Horn

Well, we—we can't talk about April and May. But what we can say is that we continue to build the processes between the two companies. And it's going well. We think we will see this obviously is when, I mentioned on the call, is that as the fourth quarter comes in, we start to see that new crop come off. And we get access to additional non-GMO acres and local acres. I think that's where you'll start to really see the power of the relationship. But what's happening now is we're just getting all of those processes in place because it's sort of show time come first quarter—come fourth quarter.

Unidentified Speaker

Okay. That's helpful. Thank you. And then can you maybe give us some more colour on the high-protein meal that you guys mentioned in the MD&A. I know you've talked about Chinese DDG bans in the past having a negative impact on canola and soy meal, but—I'm sorry, and corn meal—but maybe if you could shed more light on what's going on here?

Joel Horn

Well that DDG ban in China was a short-term thing. And that is not affecting us now. And also, there's a difference between protein isolates and our meal. Our meal that we're currently producing, which is an expeller-pressed meal, is starting to move much better now than it was, especially of course after the ban on the DDGs. But it's starting to move quite well now.

Unidentified Speaker

Okay. Thank you. And maybe just one, one last one here, I think we've seen a little bit of a decline in seeding intentions in the Pacific Northwest for canola. Just wondering how you think your mix of local versus imported seed is going to change over the next few quarters here?

Joel Horn

Well, I think there's—again, I'm not going to do a forward-looking forecast, but let's just say that there is sort of two issues at play here for me. One is that we've made a really big push on spring acres. And so we'll see that later on. And the question becomes how much local is there? And there—the stuff that we can get delivered by truck. And we should get quite a bit of that. I don't want to make a representation of how much. And we should be able to increase the amount of truck delivered. But now that the non-GMO market is growing so much, we can make really good and better margins bringing in non-GMO seed from outside the truck-delivered areas. So what you're going to see us do is focus on increasing that non-GMO seed crushed. That's why I spoke about it. That—a 1 percent to 10 percent increase, Q1 over Q1. And it's going to be really interesting to see what Q4 of '15 and Q1 of '16 is on that non-GMO. So we're both going to be—are working with Scoular on the local truck-delivered as well as the non-GMO which could be brought in by rail from further away.

Unidentified Speaker

That's great. Thanks, guys. That's all I had for you today.

Operator

Again, if you'd like to ask a question please press *, 1.

Your next question comes from the line of Stuart Pattillo from AltaCorp Capital. Your line is open.

Stuart Pattillo — AltaCorp Capital

Good morning, Joel. How are you?

Joel Horn

Good morning. How are you doing?

Stuart Pattillo

Good thanks. I was just wondering if you could give us an update on your outlook for the Special Crops' seeding in Western Canada. And what you're looking at the harvest coming in for 2015?

Joel Horn

Well, we don't give our own estimates obviously. I mean we look at what the industry-wide statistics are saying. And what the industry is saying, from Stats Canada, is that we're seeing record progress in terms of seeding. So the conditions are good and the growers are out there and seeding heavily now. So we see that progress—those reports come out on a regular basis. So right now, it's looking good for seeded acres. And so we should expect a very healthy supply for new crop based on what we're seeing in Stats Canada.

Stuart Pattillo

Great. And are you seeing good strong international demand as well?

Joel Horn

Yes. Absolutely.

Stuart Pattillo

Great. Thank you.

Operator

There are no further questions. I turn the call back over to the presenter.

Joel Horn.

Okay. Well, thank you, everybody, for attending our Q1 2015 call, and we look forward to talking to you again in 90 days.

Operator

This concludes today's conference call. You may now disconnect.

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