Burcon NutraScience Corporation

Consolidated Financial Statements

March 31, 2019 and 2018

(Prepared in Canadian dollars)

Independent auditor's report

To the Shareholders of Burcon NutraScience Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Burcon NutraScience Corporation and its subsidiaries (together, the Company) as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at March 31, 2019 and 2018;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Burcon NutraScience Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and Annual Information Form.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Bromley.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 28, 2019

BURCON NUTRASCIENCE CORPORATION
Consolidated Balance Sheets
As at March 31, 2019 and 2018

(Prepared in Canadian dollars)

	2019 $	2018 $
ASSETS		
Current assets		
Cash and cash equivalents	489,215	3,420,865
Amounts receivable (notes 11 and 13)	126,605	154,289
Prepaid expenses	307,997	230,605
	923,817	3,805,759
Property and equipment (note 4)	284,689	378,294
Goodwill	1,254,930	1,254,930
	2,463,436	5,438,983
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	633,209	804,001
Short-term loan (notes 6 and 16)	1,250,000	-
Derivative liability (notes 5 and 7(a))	5,384	59,288
Convertible note (notes 5 and 16)	1,990,686	-
Accrued interest (notes 5, 6 and 16)	564,251	-
	4,443,530	863,289
Convertible note (note 5)	-	1,905,807
Accrued interest (note 5)	-	324,871
	4,443,530	3,093,967
SHAREHOLDERS' EQUITY (note 7)		
Capital stock (note 16)	73,361,133	73,361,133
Contributed surplus	9,001,467	7,599,389
Options	9,184,852	10,329,057
Warrants (note 16)	199,117	4,723
Deficit	(93,726,663)	(88,949,286)
	(1,980,094)	2,345,016
	2,463,436	5,438,983

Going concern (note 1)
Subsequent events (note 16)

Approved by the Board of Directors

"Douglas Gilpin" ________________ Director

"Peter H. Kappel" ________________ Director

The accompanying notes are an integral part of these consolidated financial statements.

BURCON NUTRASCIENCE CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
For the years ended March 31, 2019 and 2018

(Prepared in Canadian dollars)

	2019 $	2018 $
REVENUE		
Royalty income (note 2(b))	40,177	49,014
EXPENSES		
Research and development (note 8)	1,692,519	1,936,325
Intellectual property	1,217,949	1,739,254
General and administrative (notes 9 and 11)	1,681,882	1,962,963
	4,592,350	5,638,542
LOSS FROM OPERATIONS	(4,552,173)	(5,589,528)
INTEREST AND OTHER INCOME (notes 11 and 13)	92,073	172,774
INTEREST EXPENSE (notes 5, 6 and 11)	(324,259)	(265,509)
FOREIGN EXCHANGE GAIN (LOSS)	6,982	(30,030)
CHANGE IN FAIR VALUE OF DERIVATIVE LIABILITY (note 5)	-	89,508
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(4,777,377)	(5,622,785)
BASIC AND DILUTED LOSS PER SHARE (note 10)	(0.11)	(0.15)

The accompanying notes are an integral part of these consolidated financial statements.

BURCON NUTRASCIENCE CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
For the years ended March 31, 2019 and 2018

(Prepared in Canadian dollars)

	Number of fully paid common shares (Unlimited number of common shares without par value)	Capital stock $	Contributed surplus $	Options $	Warrants $	Deficit $	Total shareholders' equity $
Balance - March 31, 2017	37,827,175	70,000,001	6,778,227	10,379,989	281,989	(83,326,501)	4,113,705
Loss and comprehensive loss for the year	-	-	-	-	-	(5,622,785)	(5,622,785)
Rights offering	6,114,361	3,485,186	-	-	-	-	3,485,186
Share issue costs	-	(124,054)	-	-	-	-	(124,054)
Options cancelled	-	-	539,173	(539,173)	-	-	-
Warrants issued	-	-	-	-	4,103	-	4,103
Warrants expired	-	-	281,989	-	(281,989)	-	-
Warrant adjustment	-	-	-	-	620	-	620
Stock-based compensation expense	-	-	-	488,241	-	-	488,241
Balance – March 31, 2018	43,941,536	73,361,133	7,599,389	10,329,057	4,723	(88,949,286)	2,345,016
Loss and comprehensive loss for the year	-	-	-	-	-	(4,777,377)	(4,777,377)
Options cancelled	-	-	1,397,355	(1,397,355)	-	-	-
Warrants issued	-	-	-	-	199,117	-	199,117
Warrants expired	-	-	4,723	-	(4,723)	-	-
Stock-based compensation expense	-	-	-	253,150	-	-	253,150
Balance – March 31, 2019	43,941,536	73,361,133	9,001,467	9,184,852	199,117	(93,726,663)	(1,980,094)

The accompanying notes are an integral part of these consolidated financial statements.

BURCON NUTRASCIENCE CORPORATION
Consolidated Statements of Cash Flows
For the years ended March 31, 2019 and 2018

(Prepared in Canadian dollars)

	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(4,777,377)	(5,622,785)
Items not affecting cash		
Amortization of property and equipment	100,248	147,590
Unrealized foreign exchange (gain) loss	(2,261)	15,773
Interest expense	324,259	265,509
Change in fair value of convertible note derivative liability	-	(89,508)
Financing expense (recovery)	145,214	(44,093)
Loss on disposal of property and equipment	-	476
Stock-based compensation expense	253,148	488,241
	(3,956,769)	(4,838,797)
Changes in non-cash working capital items		
Amounts receivable	27,684	9,379
Prepaid expenses	(77,392)	(51,607)
Accounts payable and accrued liabilities	(140,469)	257,093
	(4,146,946)	(4,623,932)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(18,555)	(20,081)
	(18,555)	(20,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loan	1,250,000	-
Issue of capital stock	-	3,485,186
Share issue costs	(18,410)	(105,643)
	1,231,590	3,379,543
FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS	2,261	(15,773)
DECREASE IN CASH AND CASH EQUIVALENTS	(2,931,650)	(1,280,243)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	3,420,865	4,701,108
CASH AND CASH EQUIVALENTS – END OF YEAR	489,215	3,420,865
INTEREST RECEIVED	18,018	21,099

The accompanying notes are an integral part of these consolidated financial statements.

1. Going concern

Burcon NutraScience Corporation ("Burcon" or the "Company") is incorporated in the Yukon Territory, Canada and its common shares are listed and publicly traded on the Toronto Stock Exchange. The registered address of Burcon is Suite 200, Financial Plaza, 204 Lambert Street, Whitehorse, Yukon and the address of its principal office is 1946 West Broadway, Vancouver, British Columbia.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at March 31, 2019, the Company had minimal revenues from its technology, had an accumulated deficit of $93,726,663 (2018 - $88,949,286). During the year ended March 31, 2019, the Company incurred a loss of $4,777,377 (2018 - $5,622,785) and had negative cash flow from operations of $4,146,946 (2018 - $4,623,932). The Company has relied on equity financings, private placements, rights offerings, other equity transactions, issuance of convertible debt and a short-term loan to provide the funds necessary to undertake its research and development activities. As at March 31, 2019, the Company had cash and cash equivalents of $489,215 (2018 - $3,420,865).

These conditions indicate existence of a material uncertainty that casts significant doubt about the ability of the Company to meet its obligations as they become due and, accordingly, its ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company raising additional capital. The Company will need to raise additional capital to fund operations and to carry out its business objectives.

On June 25, 2019, the Company completed a rights offering for gross proceeds of $15.4 million and estimated net proceeds of $15.3 million. (note 16).

Although the Company receives royalty revenues from its license and production agreement (the "Soy Agreement") with Archer Daniels Midland Company ("ADM") from the sales of CLARISOY®, royalty revenues received to-date have not been significant and the timing and amount of future royalty revenues cannot be ascertained at this time.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. **Nature of operations**

Burcon and its subsidiary are research and development companies that have developed plant protein extraction and purification technology in the field of functional, renewable plant proteins. The Company and its subsidiary have developed Peazazz® and Peazac® pea proteins, Puratein®, Supertein® and Nutratein® canola proteins, and CLARISOY®, a soy protein.

a) Peazazz®, Peazac®, Puratein®, Supertein® and Nutratein®

Burcon has developed novel pea proteins that it has branded Peazazz® and Peazac®. Burcon operates a semi-works production facility located in Winnipeg, Manitoba. Burcon has been using the semi-works production facility to provide market development quantities (tonnage amounts) to customers for product and market development activities.

Burcon has developed three canola protein products, Puratein®, Supertein® and Nutratein®. In 2008, Puratein® and Supertein® achieved US self-affirmed GRAS ("Generally Recognized As Safe") status, and the US Food and Drug Administration formally acknowledged receipt of Burcon's GRAS notification for Puratein® and Supertein® in 2010.

On May 23, 2019, Burcon, entered into a shareholders agreement with an investor group to become shareholders of Merit Functional Foods Corporation ("Merit Foods") (formerly Burcon Functional Foods Corporation), to build a new commercial production facility in Western Canada to produce its pea and canola protein products. See note 16 for further details.

On May 23, 2019, Burcon entered into a license agreement with Merit Foods granting Merit Foods an exclusive, royalty-bearing, worldwide license to use and exploit Burcon's pea, pulse, and canola protein technologies required to produce, market and sell Burcon's pea, pulse and canola proteins (collectively the "Products"). See note 16 for further details.

b) CLARISOY®

Burcon has a 20-year Soy Agreement with ADM to license its CLARISOY® technology to ADM on an exclusive basis to produce, market and sell CLARISOY® soy protein worldwide. The terms of the Soy Agreement include the license to ADM of all intellectual property, including know-how and trade secrets concerning the manufacture and use of CLARISOY®, the engineering and design by ADM of an initial commercial CLARISOY® production plant and a royalty structure that incorporates financial incentives for ADM to expand sales globally. ADM will make royalty payments to Burcon on the sales of CLARISOY® under the Soy Agreement. Maintaining the CLARISOY® soy protein patent portfolio during the term of the Soy Agreement is the responsibility of Burcon. Since signing the agreement, Burcon has filed additional patent applications to seek important commercial protection for the production and use of CLARISOY®. ADM has elected to include these applications to the license and, if granted, could lengthen the royalty term under the Soy Agreement to at least the year 2035. In November 2016, ADM confirmed that it has fully commissioned the first full-scale CLARISOY® production facility at its North American headquarters in Decatur, Illinois.

3. Significant accounting policies

Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The Company has consistently applied the same accounting policies throughout all periods presented. The board of directors approved these financial statements on June 28, 2019.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary, Burcon NutraScience (MB) Corp. A subsidiary is an entity in which the Company has control, directly or indirectly. Under IFRS 10, an investor controls an investee if and only if the investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's subsidiary at March 31, 2019 are as follows:

	Place of incorporation	Interest %	Principal activity
Burcon NutraScience (MB) Corp.	Manitoba, Canada	100	Research and development

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Company. The Company may earn revenues from licensing agreements under which third parties are granted rights to use the Company's technologies.

If the substantive rights to the technologies are retained by the Company, or the Company has remaining performance obligations under the licensing agreements, and as such not all of the risks and rewards have been transferred to the licensee, the Company recognizes amounts received or receivable as royalties when earned on an accrual basis.

At the point when all of the risks and rewards associated with the use of the technologies have, in substance, been relinquished under the licensing agreements, the Company recognizes the fair value of future payments expected to be received as proceeds from the sale of the technologies in the consolidated statements of operations and comprehensive loss, once the expected future payments can be reliably measured.

Upfront payments and similar non-refundable payments received under these agreements are initially recognized as deferred revenue. Subsequently, if the Company recognizes royalty revenue, the amounts deferred are recognized as revenue on a straight-line basis over the estimated period royalties are expected to be earned commencing in the period royalties are first recognized as revenue. Otherwise, the deferred amounts are recognized as sale proceeds at the date of sale of the technologies.

License agreements may consist of multiple elements and provide for varying consideration terms, such as upfront payments and milestone or similar payments. Revenue arrangements with multiple elements are reviewed in order to determine whether the multiple elements can be divided into separate units of accounting. If separable, the consideration received is allocated among the separate units of accounting based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units. Otherwise, the applicable revenue recognition criteria are applied to the revenue arrangement as a single unit.

Accounting estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to apply judgment when making estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amount of revenue and expenses during the reporting period, and disclosures made in the accompanying notes to the financial statements. Actual results may differ from those estimates.

The significant areas where management's judgment is applied are in determining the fair value of stock-based compensation (see note 7 for assumptions used by management) and derivative liability (see notes 5 and 7(a) for assumptions used by management), and the recoverable amount of goodwill.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in one of the following categories: amortized cost, fair value through profit or loss, and fair value through other comprehensive income.

Derivatives are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of operations and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statements of operations and comprehensive loss, through profit or loss, in the period in which they arise.

Financial assets carried at amortized cost, which include loans and receivables are initially recognized at the amount expected to be received, less a provision for the expected credit loss. Subsequently, financial assets carried at amortized cost are measured at amortized cost using the effective interest method less a provision for the expected credit loss. The Company classifies its cash and cash equivalents and amounts receivable as financial assets carried at amortized cost.

Other financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

Financial assets carried at amortized cost: the impairment loss is the difference between the carrying value of the asset and the amortized cost of the financial asset, less the expected credit loss. The carrying amount of the asset is reduced by this amount which is recognized in the consolidated statements of operations and comprehensive loss, through profit or loss. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the expected credit loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Qualifying transaction costs incurred prior to the Company's year-end in anticipation of an issuance of equity instruments subsequent to the Company's year-end are deferred on the consolidated balance sheets until the equity instruments are issued.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Company provides for amortization using the declining balance method at the following annual rates:

Equipment	20%
Computer equipment	30%

Impairment of long-lived assets

The Company tests property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. Intangible assets that are not being amortized are tested annually for impairment and also if the Company identifies indicators of impairment. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The evaluation is based on the higher of the asset's fair value less costs of disposal and its value in use, which is the present value of future cash flows expected to be derived from the asset in its current state. An impairment loss is recognized in the period it is determined to the extent that the carrying value exceeds the higher of fair value less costs to sell and value in use of the asset or group of assets.

Research and development costs

Research costs are expensed in the period incurred. Development costs are also expensed in the period incurred unless the related process is clearly defined and the costs attributable thereto can be reliably measured; the technical feasibility of the process has been established so that it will be available for use or sale; management has indicated its intention to produce and market, or use, the process; an ability to use or sell the process exists; the process will generate probable future economic benefits; and adequate resources exist, or are expected to be available, to complete the development and to use or sell the process.

Goodwill

Goodwill represents the excess at the date of acquisition of the cost of the acquired business over the fair values attributed to the underlying net tangible assets and the identifiable intangible assets. Goodwill is not amortized.

On at least an annual basis, or when circumstances indicate the carrying value of goodwill may not be recoverable, the Company subjects goodwill to an impairment test. For impairment testing purposes, the carrying value of goodwill is allocated to the group of assets that realize the benefits of the acquisition. The impairment assessment is performed by comparing the carrying value of the group of assets, including the allocated carrying value of goodwill, to the higher of its fair value less costs to sell and its value in use, which is the present value of future cash flows expected to be derived from the group of assets in their current state. If the carrying amount of the group of assets exceeds the recoverable amount, an impairment loss is charged to operations in the period such impairment is identified, allocated first to reducing the carrying amount of the goodwill allocated to the group, and then to the other assets of the group.

Income taxes

The Company uses the balance sheet liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets and liabilities are recognized in the current period for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized only to the extent they are considered probable to be realized.

Government assistance

The Company carries out research and development in Canada that is eligible for Scientific Research and Experimental Development ("SR&ED") Investment Tax Credits ("ITC") at both the federal and provincial level. The Company has recognized the refundable portion of ITC at the provincial level but has not recognized the benefits of ITC at the federal level because realization of these benefits is not probable at this time. The Company's determination of ITC involves uncertainty with respect to management's interpretation of complex tax regulations. The ITC claims are subject to review and acceptance by the Canada Revenue Agency prior to collection.

Stock-based compensation

The Company accounts for stock-based compensation granted to employees using the fair value method calculated using the Black-Scholes option pricing model. Stock-based compensation granted to non-employees is measured at the fair value of the goods and services received unless the fair value cannot be measured reliably, in which case the amount is measured using the fair value of the options granted. For options granted to employees and those providing similar services, including officers and directors, the compensation cost is measured at the fair value of the equity instrument granted at the date of grant and is expensed to operations over the award's vesting period. When stock options are exercised, capital stock is credited by the sum of the consideration paid and by the related portion previously recorded in options. Additional information related to the stock option plan and the assumptions used in the Black-Scholes option pricing model are provided in note 7(c).

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) for the period available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method to calculate diluted earnings (loss) per share. Diluted earnings (loss) per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations and comprehensive loss.

Newly adopted accounting standards and amendments

IFRS 15 - Revenue from Contracts with Customers

Effective April 1, 2018, the Company has adopted IFRS 15 – Revenue from Contracts with Customers. The standard supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts, and related interpretations. This standard addresses revenue recognition and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Once the ADM Agreement became an exclusive license it was considered to be a sale of the intellectual property, IFRS 15 requires that Burcon has to record the transaction price based on expected proceeds to be received. However, any variable consideration elements of the price should only be recognised to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As the amount of royalty revenues to be received from ADM cannot be ascertained at this time the Company continues to recognize revenue once notification from ADM regarding the quarterly royalties has been received.

The Company elected to apply IFRS 15 using a modified retrospective approach. However, for the reasons discussed above, the adoption of IFRS 15 resulted in no impact on the financial statements of the Company, as the timing of revenue recognition was unchanged.

(Prepared in Canadian dollars)

IFRS 9 - Financial Instruments and IFRS 7 – Financial Instruments: Disclosures

Effective April 1, 2018, the Company has adopted IFRS 9 Financial Instruments. IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard makes changes to the previous guidance on the classification and measurement of financial assets and liabilities and introduces an expected credit loss model for the impairment of financial assets.

The Company applied IFRS 9 retrospectively; however, the adoption of IFRS 9 did not require any adjustments to the classification or measurement of the Company's financial assets and financial liabilities. The adoption of the new expected credit loss model under IFRS 9 had only a negligible impact on the carrying amount of our financial assets on the transition date given the Company has no history of bad debt expenses.

Accounting standards issued and not yet effective

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, Leases, which requires, among other things, companies to recognize some leases previously recorded as operating leases in the same manner as a financing lease. The required adoption date is January 1, 2019, with early adoption permitted. The Company has reviewed its leases and since it does not have any long-term leases and only a limited number of minor leases, the new standard will not have a material impact on the consolidated financial statements. The Company will apply the standard on a modified retrospective basis in the first quarter of fiscal 2020.

4. Property and equipment

	Equipment $	Computer equipment $	Total $
Cost at March 31, 2018	3,770,739	85,662	3,856,401
Current period additions	6,643	-	6,643
Cost at March 31, 2019	3,777,382	85,662	3,863,044
Accumulated amortization at March 31, 2018	3,405,115	72,992	3,478,107
Current period amortization	96,447	3,801	100,248
Accumulated amortization at March 31, 2019	3,501,562	76,793	3,578,355
Net book value at March 31, 2019	275,820	8,869	284,689

(Prepared in Canadian dollars)

	Equipment $	Computer equipment $	Total $
Cost at March 31, 2017	3,743,344	82,282	3,825,626
Current period additions	28,314	3,380	31,694
Current period disposal	(919)	-	(919)
Cost at March 31, 2018	3,770,739	85,662	3,856,401
Accumulated amortization at March 31, 2017	3,262,206	68,754	3,330,960
Current period amortization	143,351	4,238	147,589
Current period disposal	(442)	-	(442)
Accumulated amortization at March 31, 2018	3,405,115	72,992	3,478,107
Net book value at March 31, 2018	365,624	12,670	378,294

5. Convertible note

The Company has a convertible note (the “Note”) with Large Scale Investments Limited (“Large Scale’), a wholly-owned subsidiary of Firewood Elite Limited (“Firewood”), for the principal amount of $2.0 million (the “Principal Amount”). Firewood, a related party of Burcon that has significant influence over the Company, is wholly-owned by Mr. Alan Chan, a director of the Company.

The Note bears interest at 8% per annum, compounded monthly. The Principal Amount and accrued interest will be payable on the earlier of May 12, 2019, the occurrence of an event of default as set out in the Note (the “Maturity Date”), or voluntary prepayment by the Company. Large Scale may convert the Principal Amount in whole or in part at $4.01 per share into common shares of the Company at any time commencing on or after July 1, 2016 and up to and including the Maturity Date. Pursuant to the terms of the Note, the conversion price was adjusted upon completion of Burcon’s rights offering completed in 2016 to $3.99 per share and further adjusted upon the completion of Burcon’s rights offering in 2018 (note 7(a)) to $3.94 per share.

Burcon has the right, before the Maturity Date, upon written notice to Large Scale of not less than thirty days, to prepay in cash all or any portion of the Principal Amount by paying to Large Scale an amount equal to the Principal Amount to be prepaid multiplied by 110%. The payment of the Principal Amount and all accrued and unpaid interest thereon will be subordinated in right of payment to any amount owing in respect of secured indebtedness of the Company. Subject to the consent of Large Scale, Burcon may pay any interest that is due and payable under the Note through the issuance of common shares at a conversion price equal to the volume weighted average trading price of the common shares on the Toronto Stock Exchange (“TSX”) for the five trading days immediately prior to the date such interest is due and payable.

The conversion option was recorded as a derivative liability (note 14). Under the terms of the Note, there are certain conditions where the conversion price may be adjusted. Therefore, in accordance with IFRS, an obligation to issue shares for a price that is not fixed must be classified as a derivative liability and measured at fair value, with changes recognized in change in fair value of conversion option in the consolidated statement of operations and comprehensive loss.

The conversion and prepayment options were recorded as a net derivative liability and measured at fair value, with changes in fair value recorded in the consolidated statement of operations and comprehensive loss. The fair value of the conversion and prepayment options was estimated based on a methodology for pricing convertible bonds using the Partial Differential Equation Method, with the following initial assumptions: expected volatility of 63%; expected dividend per share of nil; risk-free rate of 0.60%, entity-specific credit spread, and expected life of 3 years. The assumptions as at March 31, 2018 were as follows: expected volatility of 99%, expected dividend per share of nil; risk-free rate of 1.63%, initial entity-specific credit spread adjusted by the movement in the option adjusted spread of the Canada High Yield Index, and expected life of 1.1 years. The initial fair value of the net derivative liability was estimated as $189,705 as at the issue date of the Note. As at March 31, 2018, the fair value of the net derivative liability was estimated to be $5,384 and the change (decrease) in fair value of the derivative liability of $89,508 was recorded for the year ended March 31, 2018. As the valuation assumptions did not change significantly from March 31, 2018 to March 31, 2019, no change in the fair value of the derivative liability was recorded for the year ended March 31, 2019. See also Note 16.

6. Short-term loan

On November 13, 2018, the Company entered into a loan agreement with Large Scale to provide Burcon with an unsecured loan for up to $1.0 million (the "Loan"). On March 27, 2019, Burcon and Large Scale amended the loan (the "Loan Amendment") to increase the principal amount available to $1.5 million. The Loan Amendment also provides the Lender with the right to offset any amount due to it under the Note against any obligations of the Lender to pay for subscription proceeds of any rights offering that Burcon may conduct. The Loan bears interest at 18% per annum on the amount drawn, and 3% per annum on the undrawn portion. Burcon paid Large Scale a commitment fee of 1%, or $15,000, on the principal amount available under the Loan. The amounts drawn on the Loan and the accrued interest will be payable on the earlier of June 3, 2019, the occurrence of an event of default as set out in the Loan, or voluntary prepayment by the Company. As at March 31, 2019, $1.25 million of this Loan was outstanding. See also note 16.

7. Shareholders' equity

a) Capital stock

Authorized
Unlimited number of common shares without par value

<u>2018 Rights Offering</u>

On February 13, 2018, the Company completed a rights offering (the "2018 Rights Offering") for 6,114,361 common shares at $0.57 per common share for gross proceeds of $3,485,186, and net proceeds of $3,361,132. Burcon issued to each shareholder one right (the "2018 Right") for each common share held by such shareholder. Every four 2018 Rights entitled the holder thereof to purchase one common share in the Company at a price of $0.57 per common share.

Subject to certain conditions, Dr. Allan Yap ("Dr. Yap"), the Company's former Chairman and Chief Executive Officer ("CEO"), agreed to provide a standby guarantee (the "Standby Commitment") to purchase such common shares that were available to be purchased, but not otherwise subscribed for, that would have resulted in a minimum of 4,728,397 common shares being issued under the 2018 Rights Offering. Dr. Yap resigned from his positions of Chairman and CEO on January 15, 2019. As more than 50% of the Rights Offering was subscribed, Dr. Yap was not required to fulfill his obligations under the Standby Commitment. As consideration for the Standby Commitment, Dr. Yap was entitled to receive share purchase warrants (the "Standby Warrants") to acquire up to 1,182,099 common shares at an exercise price of $0.69 per common share that would be exercisable up to February 13, 2020. In accordance with the policies of the TSX, the issuance of the Standby Warrants to Dr. Yap was subject to shareholder approval, which was granted at Burcon's annual general meeting ("AGM") held on September 6, 2018. The Standby Commitment Agreement gave rise to a financial asset and liability, which were initially recorded at fair value as a derivative asset and liability of $53,904, respectively, with the change in fair value to be recorded through profit and loss. As noted above, Dr. Yap was not required to fulfill his obligations under the Standby Commitment, and therefore the change in the fair value of the derivative asset of $53,904 has been recognized as a financing expense during fiscal 2018. The Standby Warrants were issued after they were approved at the AGM. Burcon estimated the value of the Standby Warrants to be $199,118 using the Black-Scholes option pricing model and has recorded $145,214, being the amount by which the fair value of the Standby Warrants exceeded the value of the derivative liability, as financing expense (note 9) during this year. See also note 16.

<u>2019 Rights Offering</u>

On June 25, 2019, the Company completed a rights offering (the "2019 Rights Offering"). See note 16 for further details.

b) Contributed surplus

Contributed surplus comprises the value ascribed to expired warrants and options and forfeited vested options, previously categorized in either warrants or options, as applicable, within shareholders' equity.

(Prepared in Canadian dollars)

c) Options

The Company has a stock option plan in which all directors, officers, employees and consultants of the Company and its subsidiary are eligible to participate.

At March 31, 2019, 3,953,739 (2018 - 3,595,549) options to purchase common stock are outstanding from the stock option plan. These options, when vested under the terms of the plan, are exercisable at prices ranging between $0.23 and $9.60 per common share. An additional 440,414 (2018 - 798,604) options may be granted in future years under this plan. Unless otherwise determined by the board of directors, the options have a term of 10 years from the date of grant. The vesting terms are determined at the discretion of the board of directors at the time of grant. All grants are recognized using graded vesting, with each vesting tranche being valued separately, and the fair value of each tranche recognized over its respective vesting period.

	2019		2018	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding - Beginning of year	3,595,549	4.32	3,341,359	4.81
Granted	680,000	0.23	452,000	0.69
Exercised	-	-	-	-
Cancelled	(321,810)	6.20	(197,810)	4.30
Outstanding - End of year	3,953,739	3.46	3,595,549	4.32

The following table summarizes information about stock options outstanding and exercisable at March 31, 2019:

	Options outstanding			Options exercisable	
Range of exercise prices $	**Number outstanding at March 31, 2019**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number exercisable at March 31, 2019**	**Weighted average exercise price $**
0.23 - 0.69	1,108,000	9.45	0.41	424,326	0.48
2.33 - 4.16	2,028,239	5.89	2.78	1,922,438	2.79
6.78 - 9.60	817,500	0.96	9.27	817,500	9.27
	3,953,739	5.87	3.46	3,164,264	4.16

(Prepared in Canadian dollars)

The fair value of each option is estimated as at the date of grant or other measurement date using the Black-Scholes option pricing model and the following weighted average assumptions:

	2019	**2018**
Dividend yield	0.0%	0.0%
Expected volatility	72.8%	60.5%
Risk-free interest rate	1.8%	2.0%
Expected forfeitures	8.1%	8.4%
Expected average option term (years)	7.8	7.8

The expected volatility and expected forfeitures are based on historical volatility and forfeitures. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the expected average option term. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

The weighted average fair value of the options granted during the year ended March 31, 2019 was $0.16 (2018 - $0.44) per option.

Included in research and development expenses is $118,912 (2018 - $218,809) (note 8) and in general and administrative expenses (salaries and benefits) is $134,236 (2018 - $269,432) (note 9) of stock-based compensation.

8. Research and development

	2019 $	**2018 $**
Salaries and benefits (note 7)	1,143,105	1,260,466
Laboratory operation	284,629	357,968
Amortization of property and equipment	98,339	145,801
Rent	87,157	86,808
Analyses and testing	64,416	55,025
Travel and meals	14,873	30,257
	1,692,519	1,936,325

9. General and administrative

	2019 $	**2018 $**
Salaries and benefits (note 7)	955,551	1,157,846
Office supplies and services (note 11)	190,708	180,499
Financing expense (recovery) (notes 6 and 7(a))	189,977	(38,944)
Professional fees	116,094	214,989

(Prepared in Canadian dollars)

Other	79,499	80,278
Investor relations	67,437	231,376
Travel and meals	51,622	77,126
Transfer agent and filing fees	30,994	59,793
	1,681,882	1,962,963

10. Basic and diluted loss per share

The following table sets forth the computation of basic and diluted loss per share:

	2019 $	2018 $
Loss for the period, being loss attributable to common shareholders - basic and diluted	(4,777,377)	(5,622,785)
Weighted average common shares - basic and diluted	43,941,536	38,614,504
Basic and diluted loss per share	(0.11)	(0.15)

For the years ended March 31, 2019 and 2018, the Company excluded all potential common share equivalents from the diluted loss per share calculation as they were anti-dilutive.

11. Related party transactions

Up to September 27, 2018, PT International Development Corporation Limited (“PT International”) had significant influence over Burcon through its shareholdings in Burcon through its wholly-owned subsidiaries, Large Scale and Great Intelligence Limited (“Great Intelligence”). On September 28, 2018, Firewood acquired from PT International all the issued and outstanding common shares of Large Scale and Great Intelligence. Firewood is wholly-owned by Mr. Alan Chan, a director of the Company.

PT International continues to be related to the Company by virtue of common officers. The Company engaged a company that is controlled by PT International for the following related party transactions:

Included in general and administrative expenses (office supplies and services) for the year ended March 31, 2019 is $75,006 (2018 - $76,299) for office space rental.

(Prepared in Canadian dollars)

For the year ended March 31, 2019, included in general and administrative expenses (management fees) are $142 (2018 - $520), for services provided to the Company. At March 31, 2019, $22 (2018 - $20) of this amount is included in accounts payable and accrued liabilities. For the year ended March 31, 2019, included in interest and other income is $14,896 (2018 - $13,188) for management services provided by the Company. At March 31, 2019, $670 (2018 - $413), of this amount is included in amounts receivable.

For the year ended March 31, 2019, included in interest expense is $277,842 (2018 - $265,509) related to the Note and $46,417 (2018 - $nil) related to the Loan. Included in accrued interest as at March 31, 2019 is $517,833 (2018 - $324,871) for the Note and $46,418 (2018 - $nil) for the Loan.

During the year ended March 31, 2019, the Company recorded a commitment fee of $15,000 (2018 - $nil) as financing expense (note 9) in connection with the Loan.

Following shareholder approvals received at the AGM held on September 6, 2018, 1,182,099 share purchase warrants were issued to Dr. Yap, with an estimated fair value of $199,117. The Company recorded $145,213 representing the amount by which the value of the derivative liability exceeded the fair value of the Standby Warrants, as financing expense.

Following shareholder approvals received at the AGM held on September 7, 2017, 497,677 share purchase warrants issuable under the standby commitment for the 2016 rights offering were issued to PT International and Dr. Yap, with an estimated fair value of $4,103. The Company recorded $98,617, representing the amount by which the value of the derivative liability exceeded the fair value of the standby warrants, as a credit to financing expense during fiscal 2018.

Of the 388,011 standby warrants issued under the 2015 rights offering that expired on April 30, 2017, 198,429 were issued to PT International.

12. Key management compensation

Key management includes the Company’s Chief Executive Officer and Chief Operating Officer. Remuneration of directors and key management personnel comprises:

	2019 **$**	**2018** **$**
Short-term benefits	363,778	384,818
Option-based awards	66,458	130,700
	430,236	515,518

Short-term benefits comprise salaries, director fees and employment benefits.

Option-based awards represent the cost to the group of senior management and directors’ participation in the incentive stock option plan, as measured by the fair value of instruments granted accounted for in accordance with IFRS 2, *Share-based Payment*. For details of these plans refer to note 7 to the consolidated financial statements.

(Prepared in Canadian dollars)

13. Income taxes

The recovery of income taxes differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates to loss for the year as follows:

	2019 $	2018 $
Recovery of income taxes based on the combined statutory income tax rate of 27.00% (2018 – 27.09%)	(1,290,000)	(1,523,000)
Deferred income tax assets not recognized	1,230,000	1,468,000
Adjustment to future taxes for tax rate change	-	(35,000)
Financing costs	(12,000)	(34,000)
Non-deductible items and tax adjustments	72,000	124,000
Recovery of income taxes	-	-

As at March 31, 2019 the Company has non-capital losses of approximately $52,941,000 (2018 - $49,387,000) available to reduce taxable income in future years. These losses expire as follows:

	$
2026	800,000
2027	1,124,000
2028	1,344,000
2029	1,596,000
2030	2,691,000
2031	4,358,000
2032	5,327,000
2033	4,606,000
2034	5,507,000
2035	5,623,000
2036	4,895,000
2037	4,612,000
2038	5,303,000
2039	5,155,000
	52,941,000

In addition, the Company has SR&ED expenditures of approximately $15,038,000 available to carry forward indefinitely.

ITCs of $5,216,000 may be used to offset deferred income taxes otherwise payable and expire between 2020 and 2039.

Included in interest and other income is $87,362 (2017 - $131,541) of refundable ITCs, which is included in amounts receivable at March 31, 2019.

(Prepared in Canadian dollars)

The tax effects of temporary differences that give rise to deferred income tax assets are as follows:

	2019 **$**	**2018** **$**
Deferred income tax assets (liability)		
SR&ED expenditures	4,048,000	3,851,000
Losses from operations carried forward	14,293,000	13,334,000
Interest expense	82,000	-
Financing costs	60,000	94,000
Property and equipment	168,000	142,000
Unrecognized deferred income tax assets	18,651,000	17,421,000

Management believes the realization of income tax benefits related to these losses and other potential deferred income tax assets is uncertain at this time and cannot be viewed as probable. Accordingly, the Company has not recognized these deferred income tax assets.

14. Financial instruments

Credit risk

The financial instruments that expose the Company to a concentration of credit risk are cash and cash equivalents and amounts receivable. The Company's cash and cash equivalents may comprise interest-bearing savings instruments with Canadian chartered banks. The Company limits its exposure to credit loss by placing its cash and cash equivalents with two Canadian chartered banks.

Interest rate risk

All of the Company's financial instruments are non-interest bearing except for cash and cash equivalents that earn interest at variable market rates, the Note and the Loan that bear interest at fixed interest rates. Burcon's cash and cash equivalents are held at two Canadian chartered banks to maximize interest and to diversify risk. For the year ended March 31, 2019, the weighted average interest rate earned on the Company's cash and cash equivalents was 1.68% (2018 – 1.15% per annum). The impact of a 1% strengthening or weakening of interest rates on the Company's cash and cash equivalents at March 31, 2019 is estimated to be a $5,000 increase or decrease in interest income per year.

(Prepared in Canadian dollars)

Liquidity risk

The Company manages liquidity risk through the management of its capital structure (note 15). It also manages liquidity risk by monitoring actual and forecasted cash flows taking into account current and planned operations. Refer also to note 1. The Company's estimated minimum contractual undiscounted cash flow requirement for its financial liabilities at March 31, 2019 is $4,447,460, all of which is due within the next 12 months.

Fair value

The fair value of the Company's short-term financial assets and financial liabilities, including cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and the Loan, approximates their carrying values due to the short-term maturities of these financial instruments.

The fair value of the conversion option and prepayment option related to the Note, included in derivative liability, is a level 3 fair value. The methods and assumptions used to determine the fair value are described in note 5.

The fair value of the Note approximates the carrying value as at March 31, 2019 given the risk-free rate and the credit spread of the Company have not changed substantially since the issue date of the Note.

The carrying values and fair values of financial instruments, by class, are as follows as at March 31, 2019 and 2018:

As at March 31, 2019

	At fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value
	$	$	$	$
Financial assets				
Cash and cash equivalents	-	489,215	-	489,215
Amounts receivable	-	126,605	-	126,605
Total	**-**	**615,820**	**-**	**615,820**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	633,209	633,209
Short-term loan	-	-	1,250,000	1,250,000
Convertible note	-	-	1,990,686	1,990,686
Accrued interest	-	-	564,251	564,251
Derivative liability	5,384	-	-	5,384

Total	**5,384**	**-**	**4,438,146**	**4,443,530**

As at March 31, 2018

	At fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value
	$	$	$	$
Financial assets				
Cash and cash equivalents	-	3,420,865	-	3,420,865
Amounts receivable	-	154,289	-	154,289
Total	**-**	**3,575,154**	**-**	**3,575,154**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	804,001	804,001
Convertible note	-	-	1,905,807	1,905,807
Accrued interest	-	-	324,871	324,871
Derivative liabilities	59,288	-	-	59,288
Total	**59,288**	**-**	**3,034,679**	**3,093,967**

Currency risk

The Company has not hedged its exposure to currency fluctuations. As at March 31, 2019 and 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

		March 31, 2019		March 31, 2018
U.S. Dollars				
Cash and cash equivalents	$	48,219	$	389,449
Amounts receivable		8,826		5,785
Accounts payable and accrued liabilities		(27,502)		(99,697)
Net exposure	$	29,543	$	295,537
Canadian dollar equivalent	$	39,479	$	381,065

Based on the above net exposure at March 31, 2019, a 10% appreciation or depreciation of the U.S. dollar against the Canadian dollar would have resulted in an increase/decrease of approximately $4,000 (March 31, 2018 - $38,000) in the Company's loss from operations.

15. Capital disclosures

The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure to have sufficient resources available to meet day-to-day operating requirements, continue as a going concern and fund its research and development program. The Company is dependent on non-operating sources of cash, primarily from issuing equity and debt, to fund its operations and research development programs. The Company monitors its capital and the expected cash flows required to achieve its business objectives to determine its future financing needs. It seeks additional capital when deemed appropriate, but there is no assurance that it will be able to secure the necessary capital when required. Refer also to note 1.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2019.

16. Subsequent events

Merit Foods

On May 23, 2019, Burcon, through a new wholly-owned subsidiary incorporated after March 31, 2019, Burcon NutraScience Holdings Corp. ('Burcon Holdings"), entered into a shareholders agreement (the "Shareholders Agreement") with two other entities to become shareholders Merit Foods, to build and own a new commercial production facility in Western Canada to produce, sell, market and distribute Burcon's Peazazz® and Peazac™ pea proteins, Burcon's Puratein®, Supertein® and Nutratein® canola proteins, as well as Burcon's new pea and canola protein blends that it has branded Nutratein-PS™ and Nutratein-TZ™.

Burcon currently holds 40% of the issued and outstanding shares of Merit Foods, and the two other parties owning 40% and 20% respectively. Pursuant to the Shareholders Agreement, the parties have agreed that on or before July 2, 2019, they will make capital contributions in the form of debt and/or equity to Merit Foods in the aggregate of $10 million (the "Initial Capital Contribution"). The parties have agreed to make further contributions in the form of debt and/or equity to Merit Foods on or before September 3, 2019 in the aggregate amount of $10 million (the "Additional Capital Contribution"). Burcon made its Initial Capital Contribution of $4 million to Merit Foods on June 28, 2019 and intends to make a further $4 million in Additional Capital Contribution to Merit Foods on or before September 3, 2019 from the net proceeds of the 2019 Rights Offering. In the event that any of shareholders fails to contribute its respective Additional Capital Contribution (a "Capital Deficiency"), any shareholder under the Shareholders Agreement that has contributed its full proportionate share of the Additional Capital Contribution may make a further capital contribution in the amount of the Capital Deficiency and the proportionate ownership of each shareholder will be adjusted accordingly. If Burcon Holdings only contributes its Initial Capital Contribution and not the

Additional Capital Contribution while the remaining shareholders contribute their Initial Capital Contribution, Additional Capital Contribution and any Capital Deficiency, Burcon Holdings's ownership interest in Merit Foods will be reduced to 20%.

On May 23, 2019, Burcon entered into a license agreement (the "License Agreement") with Merit Foods granting Merit Foods an exclusive, royalty-bearing, worldwide license to use and exploit Burcon's Products. Under the terms of the Licence Agreement, Merit Foods will have the exclusive rights across all geographic regions and all product uses for Burcon's pulse protein (including pea) and canola protein technologies (the "License"). Burcon will receive running royalties on the net revenue (as defined in the License Agreement) from the sale of the Products by Merit Foods. Burcon will be responsible for the technology transfer to Merit Foods, and will also provide assistance, under a services agremeent, to support the design, construction and commissioning of the commercial protein production facility.

Merit Foods has agreed to develop, build and commission an initial production facility in Western Canada within a specified amount of time to manufacture the Products. Merit Foods will also, within a specified time period, provide written notice to Burcon to advise whether it will or will not increase its annual production capacity of the Products to develop, build and commission a full commercial scale production facility (the "Full Commercial Production Facility"). If Merit Foods expands production to the Full Commercial Production Facility, the royalty rate will reduce to a lower percentage rate. The royalty rate may also reduce if the exclusive license is converted to a non-exclusive license or if a certain Burcon patent does not grant within a specified time.

The License Agreement has a term of the greater of twenty years and the last to expire of Burcon patents that are being used to produce products under the License Agreement. If the Shareholders Agreement is terminated on July 3, 2019 for failure of a party to make its Initial Capital Contribution, either Burcon or Merit Foods may terminate the License Agreement. The License Agreement provides Burcon with the right to convert the exclusive license to a non-exclusive license under certain conditions. As long as the License is exclusive, Burcon will be responsible for the filing, prosecution and maintenance of Burcon patent rights in certain countries.

2019 Rights Offering

On June 25, 2019, the Company completed a rights offering (the "2019 Rights Offering") for 44,083,203 common shares at $0.35 per common share for gross proceeds of $15,429,121, and estimated net proceeds of $15.3 million. Burcon issued to each shareholder as of the record date of May 30, 2019 one transferrable right (the "2019 Rights") for each common share held by such shareholder. Every 2019 Right entitled the holder thereof to purchase one common share in the Company at a price of $0.35 per common share. The 2019 Rights were listed for trading on the Toronto Stock Exchange (the "TSX") from May 29, 2019 to June 25, 2019.

The Company's directors, officers and persons controlling over 10% of the common shares of the Company, (collectively, the "Insiders") agreed to exercise at least all of the 2019 Rights they were issued in connection with the 2019 Rights Offering for 14,306,740 common shares, representing 32.5% of the 2019 Rights Offering.

Of the net proceeds of the 2019 Rights Offering, $2,565,022 has been used to repay the convertible note and accrued interest to Large Scale (note 5) and $1,607,183 has been used to repay the Loan and accrued interest to Large Scale (note 6). Burcon made its Initial Capital Contribution of $4.0 million to Merit Foods on June 28, 2019 and intends to make its Additional Capital Contribution of $4.0 million to Merit Foods on or before September 3, 2019.

Warrants

Pursuant to the terms of the Standby Warrants, the exercise price was adjusted upon completion of the 2019 Rights Offering to $0.45 per share.

Convertible note

On May 21, 2019, the Company and Large Scale amended (the "Amendment") the Note's (Note 5) Maturity Date to June 21, 2019. The Amendment also provides Large Scale with the right to offset any amounts due to it under the Note against any obligations of Large Scale to pay for subscription proceeds of any rights offering that Burcon may conduct.

In connection with the 2019 Rights Offering, Large Scale exercised its right to offset the amounts due under the Note against its obligations to pay for subscription proceeds under the 2019 Rights Offering. The offset was completed on June 25, 2019. The total amount offset under the Note included the principal amount and accrued interest of $2,565,022.

Short term loan

Subsequent to the year end, the Company drew down a further $250,000 under the Loan.

In connection with the 2019 Rights Offering, Large Scale exercised its right to offset the amounts due under the Loan against its obligations to pay for subscription proceeds under the 2019 Rights Offering. The offset was completed on June 25, 2019 in the total amount of the Loan principal and partial accrued interest of $1,436,629. The balance of the accrued interest of $170,555 was repaid to Large Scale in cash on June 28, 2019.

Stock option exercises

Subsequent to the year-end, certain directors and officers of the Company exercised stock options for 141,667 common shares in the Company at a weighted average exercise price of $0.45.