MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Three and nine months ended December 31, 2022 and 2021

(All amounts following are expressed in Canadian dollars unless otherwise indicated.)

This Management's Discussion and Analysis ("MD&A") has been prepared as at February 14, 2023 to provide a meaningful understanding of Burcon NutraScience Corporation's ("Burcon" or the "Company") operations, performance, and financial condition for the three and nine months ended December 31, 2022. The following information should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the periods ended December 31, 2022 and 2021, which are prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB), as well as the audited consolidated annual financial statements for the year ended March 31, 2022. We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information relating to Burcon, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" and "forward-looking information" as defined under applicable Canadian and U.S. securities laws (collectively, "**forward-looking statements**"), which may include, but are not limited to, statements with respect to possible events, conditions, acquisitions, or results of operations that are based on assumptions about future conditions and courses of action and include future oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection, and also include, but are not limited to, statements with respect to the future financial and operating performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. When used in this MD&A the words "estimate", "budget", "project", "believe", "anticipate", "intend", "expect", "plan", "projects", "predict", "may", "should", "will", or the negatives of these words or other variations thereof and comparable terminology or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved are intended to identify forward-looking statements. The forward-looking statements pertain to, among other things:

- continued development of the Company's products and business;
- the Company's growth strategy;
- production costs and pricing of CLARISOY® soy protein, Peazazz® and Peazac® pea proteins, Puratein®, Supertein® and Nutratein® canola proteins and pea protein and canola protein (Nutratein®) blends;
- marketing strategies for the Company's soy, pea, canola, flax, hemp and sunflower proteins as well as pea protein / canola protein blends;
- development of commercial applications for soy, pea, canola, flax, hemp and sunflower proteins as well as pea protein / canola protein blends;
- ability to produce proteins and protein isolates in commercial quantities with sufficient grade and quality at cost-effective prices;
- construction, commissioning and operation of production facilities;

- future protection of intellectual property and improvements to existing processes and products;
- regulatory approvals;
- input and other costs; and
- liquidity and working capital.

The forward-looking statements are based on a number of key expectations and assumptions made by management of the Company, including, but not limited to:

- the Company's ability to obtain required regulatory approvals;
- the Company and its joint venture partners' ability to commission and operate its production facility;
- the Company and its joint venture partners' ability to raise sufficient funding to operate their businesses;
- the Company's or its licensing partners' ability to generate new sales and carry out existing customer contracts;
- the Company's or its licensing partners' ability to produce, deliver and sell the expected product specifications and product volumes at the expected prices;
- the Company's ability to control costs;
- the Company's ability to obtain and maintain intellectual property rights and trade secret protection;
- market acceptance and demand for the Company's or its licensing partners' products;
- the successful execution of the Company's business plan;
- achievement of current timetables for product development programs and sales;
- the availability and cost of labour and supplies;
- the availability of additional capital; and
- general economic and financial market conditions.

Although the Company believes that the factors and assumptions used to develop the forward-looking statements are reasonable, undue reliance should not be placed on such forward-looking statements. The forward-looking statements reflect the Company's current views with respect to future events based on currently available information and are inherently subject to risks and uncertainties. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this MD&A, including, but not limited to:

- the condition of the global economy;
- market acceptance of plant proteins;
- market acceptance of the Company's products;
- changes in product pricing;
- changes in the Company's customers' requirements, the competitive environment and related market conditions;
- delays in the construction, commissioning and operation of production facilities;
- products not meeting customer specifications;
- product development delays;
- changes in the availability or price of labour and supplies;
- the Company's ability to attract and retain business partners, suppliers, employees and customers;
- changing food or feed ingredient industry regulations;
- the regulatory regime;
- the Company's and its joint venture partner's access to funding and its ability to provide the capital required for product development, operations and marketing efforts, and working capital requirements; and
- the Company's ability to protect its intellectual property; and
- disruption, delays, risks and uncertainty related to and arising from the global COVID-19 pandemic.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Although the Company has attempted to identify important factors that could cause actual results to differ materially from forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, described or intended. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect changes in assumptions or the occurrence of anticipated or unanticipated events, except as required by law.

The Company qualifies all the forward-looking statements contained in this MD&A by the foregoing cautionary statements.

GOING CONCERN

Conditions do exist, as described in note 1 to the condensed consolidated interim financial statements for the periods ended December 31, 2022 and 2021, that cast significant doubt over the Company's ability to continue as a going concern. As at December 31, 2022, the Company had not earned significant revenues from its technology, had an accumulated deficit of $132.8 million (March 31, 2022 - $109.2 million). During the nine months ended December 31, 2022, the Company incurred a loss of $23.5 million (2021 - $6.0 million) and had negative cash flow from operations of $5.0 million (2021 - $3.8 million). The Company has relied on equity financings, private placements, rights offerings, other equity transactions, issuance of convertible debt and loans to provide the financing necessary to undertake its research and development activities. In June 2022, the Company entered into the Secured Loan with Large Scale for a facility of up to $10 million (see Secured Loan Facility section).

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 carry out its business objectives. While the Company is considering various financing options for its short-term and long-term funding requirements to maintain its operations and fund its development activities, there can be no assurance that additional financing may be available on acceptable terms, if at all. If Burcon is unable to raise additional funds when it needs them, it may be required to delay, reduce or eliminate some or all of its development programs. Therefore, conditions do exist, as described in the condensed consolidated interim financial statements, that cast significant doubt over the Company's ability to continue as a going concern.

OVERVIEW OF THE COMPANY AND ITS BUSINESS

Burcon is a global technology leader in the development of plant-based proteins, having developed an extensive portfolio of composition, application, and process patents covering novel plant-based proteins derived from pea, canola, soy, hemp, sunflower seed and more. In 2019, Merit Functional Foods Corporation ("Merit Foods") was established by Burcon and three veteran food industry executives. Merit Foods has built a commercial production facility in Manitoba, Canada where it is producing, under license, Burcon's novel pea and canola protein ingredients. Our environmentally friendly and sustainable technologies have been developed at our own research facility led by our team of highly specialized scientists and engineers. Our patent portfolio currently consists of 323 issued patents worldwide, including 73 issued U.S. patents, and in excess of 170 additional patent applications, 25 of which are U.S. patent applications.

MERIT FUNCTIONAL FOODS CORPORATION

Merit Foods was formed in May 2019 by Burcon NutraScience Holdings Corp. ("Burcon Holdings") and two other entities (the "Partners"), with Burcon initially owning 40% of Merit Foods. After Bunge Limited's ("Bunge") investment in August 2020 and further investment in October 2021 into Merit Foods, Burcon's current ownership interest in Merit Foods is 31.6%.

The business of Merit Foods is the commercial production, sales, marketing and distribution worldwide of Burcon's pea protein, pulse protein and canola protein products. Merit Foods has constructed a 94,000 square foot state-of-the-art production facility to produce, market and sell Burcon's pulse protein ingredients, including Peazazz® and Peazac® pea proteins and Burcon's canola proteins, Supertein®, Puratein® and Nutratein® (collectively the "Products").

Under the amended license and production agreement (the "Amended License Agreement'), Merit Foods has the exclusive rights over Burcon's pulse proteins (including pea) and canola protein technologies across all geographic regions and all product uses. Burcon receives running royalties on the net revenue (as defined in the Amended License Agreement) from the sales of the Products by Merit Foods. Burcon is responsible for the technology transfer to Merit Foods and provides assistance, under a services agreement, to support the design, construction and commissioning of the commercial protein production facility, as well as providing other services and sample production services.

In July 2022, Merit Foods launched its newest protein ingredient, Peazazz C™ pea protein, a high purity pea protein that offers exceptional taste and solubility, with the ability to create a smooth creamy texture without the chalkiness often associated with plant-based beverage applications. Peazazz C™ has low viscosity, allowing food formulators to achieve a smooth, pleasant texture without sedimentation even at higher, double-digit protein inclusion levels. Peazazz C™ is produced from yellow field peas that are Canadian-grown and produced with full traceability back to the farm, giving plant-based food and beverage brands a trusted source of plant protein. Peazazz C™ also has the ability to support low sodium claims in high protein applications, offering a healthier plant protein option.

Also in July 2022, Merit Foods developed an innovation utilizing its non-GMO Peazazz® pea protein as part of a 100% protein-based clean label solution to replace methylcellulose, a synthetic ingredient widely used in food and meat alternative applications. When used as part of Merit Foods' methylcellulose-free solution, its non-GMO Peazazz® pea protein affords plant-based formulators a clean label option, while also contributing to the total protein content, as well as providing key sensory and functionality attributes that may assist in creating superior plant-based products for Merit Foods' customers. Merit Foods' unique protein-based solution is expected to be suitable for replacing methylcellulose in applications such as plant-based burgers, hot dogs, sausages and more.

During the current third quarter, Merit partnered with Konscious Foods and Canadian Pacifico Seaweeds in a project co-invested by Protein Industries Canada, to develop a new line of high quality plant-based seafood alternative products. The new line of more than 20 plant-based seafood alternative products will incorporate Canadian-grown and processed ingredients, including Merit's pea and canola proteins and Canadian Pacifico Seaweeds' seaweed ingredients. While focusing on keeping the products sustainable and clean label, the partners have also matched the taste and texture of the products' seafood counterparts. Of the total project amount of $15.3 million, PIC has committed a co-investment amount of $5.5 million.

Also during the current third quarter, Merit Foods launched its first USDA Certified Organic protein ingredient, Organic Peazazz C™ 850. Organic pea protein ingredients are currently in high demand and in short supply. Merit's Organic Peazazz C™ 850 pea protein features a purity level of over 85% protein and a neutral flavor profile, which is ideally suited for applications such as ready-to-drink beverages, ready-to-mix protein powders, protein bars, dairy alternative products and more.

The commissioning of the Flex Production Facility continued through calendar 2021 and was completed as of December 31, 2021, with Burcon's technical team actively involved in supporting Merit Foods in the commissioning process. During 2022, Merit Foods continued to optimize and fine tune the production facility and is expected to continue this process as it ramps up production and sales. While the optimization process has improved production, and sales have been increasing each quarter, the process has been slower than expected, which has led to significant operational losses and increased liquidity requirements.

Following Bunge's additional investment in Merit Foods in October 2021, Burcon recorded a dilution gain of $961,164 during the three months ended December 31, 2021.

In May and September 2022, Burcon Holdings, Bunge and the Partners advanced an aggregate $10 million loan (the "May 2022 Shareholder Loans") and $3 million loan (the "September 2022 Shareholder Loans"), respectively, to Merit Foods to address Merit Foods' liquidity requirements. Burcon Holdings' proportion of the May 2022 Shareholder Loans and September 2022 Shareholder Loans were $3.16 million and $948,000, respectively.

As at December 31, 2022, Burcon Holdings has made capital and loan advances in the aggregate of $17.1 million to Merit Foods in the form of shareholder loans. The capital and loan advances are non-interest bearing, unsecured, subordinated to Merit Foods' other secured and unsecured debts, have a term of 15 years, and may be repaid by Merit Foods, without penalty or bonus, on a pro-rata basis based on the proportionate share of each shareholder's loan outstanding in relation to the other shareholders of Merit Foods applied to the outstanding principal amounts. Notional interest is accruing on the loan receivable at 11% per annum, which is considered to be the market rate of interest. For the three and nine months ended December 31, 2022, Burcon recorded interest accretion of $120,374 and $335,641, respectively (2021 - $87,363 and $254,093).

In late 2022, given the liquidity deficiency as Merit Foods continued to ramp up production and sales at the Flex Production Facility, Merit Foods began a process to identify a new strategic investor. To-date, no funding has been received from a new investor.

Burcon remains committed to the Merit business and firmly believes in its potential. Based upon this belief, the Company has taken the following actions:

- Engaged in discussions with the lenders of Merit to propose terms that maintain current business momentum and provide a path to profitability;
- Exploring interim financing for Merit while working on a more specific, longer-term funding solution;
- If funding plans are successful, prepared to fund ongoing operating expenses and debottlenecking capital with support from our largest Burcon shareholder to back the overall project;
- Implemented measures within Burcon to control costs and ensure its capital and efforts are going towards the greatest near-term opportunities; and
- Evaluating new plant protein markets that can be targeted with the combination of Burcon's technology and Merit's production capability.

Expected credit losses on loan to Merit Functional Foods Corporation and royalty receivable

The Company estimates the expected credit losses on Merit Foods' loan receivable based on management's best estimate of lifetime expected credit loss calculated based on probability of default, loss given default, and outstanding balance of the loan. Due to Merit Foods' ongoing liquidity requirements and uncertainty regarding its cash flows to support these requirements, and that no funding has been received to-date from a new investor, the credit risk of Merit Foods has increased significantly since initial recognition to December 31, 2022 and the loan to Merit Foods is considered to be credit-impaired. As a result, the Company has recorded an expected credit loss provision of $4,333,630 and $4,358,630, respectively, (2021 - $nil and $nil) for the three and nine months ended December 31, 2022, and included in the condensed consolidated interim statement of operations and comprehensive loss.

Due to Merit Foods' significantly higher credit risk, the Company has recorded a loss allowance for royalty receivable from Merit Foods measured at an amount equal to lifetime expected credit loss of $167,692 and $167,692, respectively (2021 - $nil and $nil), which has been included in interest and other expense in the condensed consolidated interim statement of operations and comprehensive loss.

Impairment on investment in Merit Functional Foods Corporation

Merit Foods has incurred cumulative losses and cash flow deficiencies which adversely impacted its financial situation and liquidity position. Due to the uncertainty of Merit's financial situation and ongoing liquidity requirements, the Company reviewed whether impairment indicators existed for its investment in Merit Foods.

Judgment is required in assessing whether there is objective evidence of impairment of its investment in Merit Foods. The information management considered included whether there was evidence of significant financial difficulty, breach of contract, the granting of concessions, probable bankruptcy or financial reorganisation or the disappearance of an active market for the investment in Merit Foods. Management also considered whether there was information about changes with an adverse effect that has taken place in technological, market, economic or legal environment and whether there has been a significant or prolonged decline in the fair value of an investment below cost. As a result of one or more of the above impairment indicators that existed as at December 31, 2022, management concluded that there was objective evidence of impairment related to its investment in Merit Foods.

As at December 31, 2022, the Company assessed the carrying value of the investment against the estimated recoverable amount. The recoverable amount is the higher of fair value less cost of disposal ("FVLCD") and value in use ("VIU"). The FVLCD is the price that would be received to sell an asset in an orderly transaction between the market participants at the measurement date, less cost to dispose. The VIU is the present value of future cash flows expected to be derived from the investment. Due to the uncertainty of Merit Foods' future operations and cash flows, there is no reason to believe that VIU would materially exceed its FVLCD. As a result of the current financial situation and liquidity position of Merit Foods, it is, in management's opinion, highly unlikely that the FVLCD would result in a significant positive value. Accordingly, the Company has recognized an impairment charge of $7,987,303 and $7,987,303 for the three and nine months ended December 31, 2022, respectively (2021 - $nil and $nil), in the condensed consolidated interim statement of operations and comprehensive loss.

As of December 31, 2022, the carrying value of the investment in and loan to Merit Foods consist of:
(in thousands of dollars):

	Capital Contribution	**Loan receivable**	**Total net investment**
Net Investment in Merit Foods, March 31, 2021	**13,508**	**2,894**	**16,402**
Share of loss in Merit Foods	(4,295)	-	(4,295)
Gain on dilution of investment in Merit Foods	961	-	961
Interest accretion	-	344	344
Expected credit loss provision	-	(9)	(9)

Net Investment in Merit Foods, March 31, 2022	**10,174**	**3,229**	**13,403**
Capital and loan advances	3,313	794	4,107
Share of loss in Merit Foods	(5,500)	-	(5,500)
Impairment of investment	(7,987)	-	(7,987)
Interest accretion	-	336	336
Expected credit loss provision	-	(4,359)	(4,359)
Net investment in Merit Foods, December 31, 2022	**-**	**-**	**-**

During the three and nine months ended December 31, 2022, Burcon recorded royalty revenues of $161,206 and $363,913, respectively, (2021 - $44,597 and $94,222) from Merit Foods' sales of the Products. The Company estimated an expected credit loss on royalty receivable from Merit Foods and has recorded an expected credit loss provision (see above).

For the three and nine months ended December 31, 2022, included in management fee income is $19,416 and $44,401, respectively, (2021 - $24,650 and $107,390) for services provided, of which $10,088 was included in amounts receivable as at December 31, 2022 (March 31, 2022 - $1,210). During the three and nine months ended December 31, 2022, Burcon's technical team continued to provide technical services support to Merit Foods. Services revenues decreased in the nine-month over the same period last year as Merit Foods as Burcon ceased charging for its technical assistance to support Merit Foods' commissioning process in May 2021.

Merit Foods also provides certain consulting services to Burcon. For the three and nine months ended December 31, 2022, Burcon recorded professional fee expense of $nil and $19,145, respectively, (2021 - $nil and $9,415).

From inception, Merit Foods has secured debt financing of up to $95 million from Export Development Canada ("EDC"), Farm Credit Canada, and Canadian Imperial Bank of Commerce ("CIBC"), as well as a $10 million interest-free loan from Agriculture and Agri-Food Canada (the "AIP Loan"). The shareholders of Merit Foods have pledged their shares in Merit Foods as security under the loan facilities from EDC and provided a guarantee for the CIBC facility of $1.25 million, of which Burcon Holdings' share is $416,625. Burcon Holdings and the Partners have also provided a guarantee for the AIP Loan (the "AIP Guarantee"), of which Burcon Holdings' share is $4 million.

During fiscal 2022, the shareholders of the Partners (the "EDC Guarantors") provided guarantees of $10 million (the "EDC Guarantee") to EDC in order for Merit Foods to meet certain credit requirements required by EDC under the loan agreements with EDC. Burcon Holdings and the EDC Guarantors entered into a reciprocal indemnity agreement (the "EDC Indemnity Agreement"). Under the EDC Indemnity Agreement, if any EDC Guarantor (each, a "EDC Paying Guarantor") was required to make payment under the EDC Guarantee and any other EDC Guarantor and Burcon Holdings (each, a "EDC Contributing Guarantor") has not made a corresponding payment equal to its Contributive Share, such EDC Contributing Guarantor(s) shall pay the EDC Paying Guarantor such amounts so that, after payment, all obligations and liabilities under the EDC Guarantee will have been borne by the EDC Guarantors in their respective Contributive Shares. Burcon Holdings' Contributive Share under the EDC Indemnity agreement was 44.44%. The obligations of Burcon Holdings and the EDC Guarantors shall terminate upon the termination or release by EDC of the EDC Guarantors' obligations under the EDC Guarantee.

Following the May 2022 Shareholder Loans, EDC released the EDC Guarantors of the EDC Guarantee and the obligations of Burcon Holdings under the EDC Indemnity Agreement were also released.

Merit Foods has also received four co-investments from PIC. Merit Foods cannot reasonably estimate the amount to be received from the PIC projects for periods where PIC has not finalized their assessment of submissions. These amounts may be material to the financial statements.

Summary financial information of Merit Foods
(Unaudited, in thousands of dollars)

	December 31, 2022	March 31, 2022
Total assets	137,416	141,242
Total liabilities	115,896	109,938

	Three months ended December 31		Nine months ended December 31	
	2022	2021	2022	2021
Total revenue	3,014	1,226	7,719	4,029
Total comprehensive loss for the period	(6,632)	(3,765)	(17,405)	(9,486)

WINNIPEG TECHNICAL CENTRE (the "WTC")

During the three and nine months ended December 31, 2022, the WTC focused primarily on further innovating with new plant-based protein sources, with the goal of entering into additional partnerships as a means to bring additional plant-based protein ingredients to market. Our technical team's efforts have culminated in the announcement during the second quarter this year for the development of a process to extract protein ingredients from sunflower seeds for use in foods and beverages (see below).

Burcon's extraction and purification technologies are versatile and may be adapted to process a range of oilseed and non-oilseed meals to produce specialty proteins, such as flax, hemp and sunflower. The demand for plant-based proteins continues to grow and Burcon believes there may be niche market opportunities for its specialty protein ingredients.

For the three and nine months ended December 31, 2021, the WTC's focus was primarily on supporting Merit Foods in its commissioning of the Flex Production Facility.

STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Burcon continued with its discussions and negotiations with potential partners on additional plant-based protein opportunities. During the second and third quarter of this year, Burcon completed key due diligence items as part of our partnership discussions to bring one or more of Burcon's plant-based protein technologies to market, including process and product evaluation and validation, market and competitive analysis, and project economics. Burcon will continue to work towards reaching an agreement to bring our protein technologies to market.

In addition to strategic partnerships, Burcon is collaborating with food processors to explore opportunities to leverage Burcon's core protein extraction and purification platform for use in upcycled protein production arising from under-utilized crops or by-products that are otherwise disposed as waste products or sold as animal feed.

SUNFLOWER PROTEIN

During the second quarter of this year, Burcon announced that it had developed an economical, scalable process to extract high-purity protein ingredients from sunflower seeds for use in foods and beverages. This proprietary extraction and purification process converts sunflower meal, a by-product of the production of sunflower oil, into high quality sunflower protein isolates that feature a neutral taste and off-white colour. These unique properties make them ideal for use in a variety of food applications, in particular those featuring delicate flavours. Sunflower proteins currently on the market consist of concentrates in the range of 50 – 60% protein content, while Burcon's new sunflower protein isolates are great than 90% protein content. Like Burcon's other proteins, our sunflower proteins feature taste and functional attributes that can address many of the formulation challenges currently facing plant-based protein product developers as they address rising global consumer demands for protein rich foods and beverages that have clean labels and are natural, tasty and more sustainable.

Sunflower is the world's third largest oilseed crop, behind soy and canola/rapeseed, and is a natural oilseed source of non-GMO, non-allergenic, clean label protein. Once oil is extracted from seeds, the remaining meal is generally used as livestock feed. Burcon's process innovation allows high quality, food-grade plant protein to be upcycled directly from the meal more effectively, making it a highly sustainable protein ingredient for use in various food and beverage applications.

CEO TRANSITION AND APPOINTMENT

On February 28, 2022, Mr. Johann Tergesen stepped down as President and Chief Executive Officer of the Company. Mr. Peter Kappel was appointed as interim Chief Executive Officer on March 1, 2022 while the Company, with the assistance of Kincannon & Reed, an executive search firm specializing in the food and agribusiness sectors, searched for a new chief executive officer.

On November 7, 2022, Burcon announced the appointment of Mr. Kip Underwood as Burcon's chief executive officer. Mr. Underwood is a seasoned executive with over 20 years of experience in the food and specialty protein industry. Mr. Underwood brings deep expertise in sales, marketing, business development and strategy in the specialty protein space. His extensive experience includes executive leadership roles at global companies such as the Solae Company and DuPont Nutrition & Health, where he was responsible for top line sales of $1.4 billion and approximately 250 employees. Known as a champion for growth, Mr. Underwood has led and transformed businesses from multi-year decline into a year-over-year growth engine. Mr. Underwood holds an MBA from Saint Louis University and a Bachelor of Science in Chemical Engineering from University of Missouri-Columbia.

AUDITOR CHANGE AND AGM POSTPONEMENT

During the second quarter, Burcon announced the resignation of its auditor, PricewaterhouseCoopers LLP ("PwC"), effective September 1, 2022. PwC confirmed there have been no "reportable events", "disagreements" or "unresolved issues", as defined in National Instruments 51-102 – "*Continuous Disclosure Obligations*".

Due to the timing of PwC's resignation and the annual meeting of shareholders ("AGM") that was set for September 14, 2022, the Company's Board of Directors decided to postpone the AGM until the Company has appointed a successor auditor. Burcon subsequently held its AGM on November 23, 2022, at which KPMG LLP ("KPMG") was appointed as Burcon's successor auditor. KPMG is a multinational professional firm providing audit, tax and advisory services.

DIRECTOR APPOINTMENT

Mr. Aaron T. Ratner was elected to Burcon's Board of Directors at the AGM held on November 23, 2022. Mr. Ratner is a Managing Partner and Co-Founder of Vectr Carbon Partners, an early-stage global climate technology venture capital fund manager. He is also the Chief Executive Officer of Clean Earth Acquisitions Corp., as well as an Operating Partner with Nexus PMG, a leading infrastructure advisory and project development company. He has over 20 years of domestic and international investment and advisory experience, focusing on project finance, venture capital, climate technology, energy, and agriculture.

NASDAQ DELISTING

On September 12, 2022, Burcon filed Form 25 (Notification of Removal from Listing and/or Registration under Section 12(b) of the Securities Exchange Act of 1934) with the Securities and Exchange Commission ("SEC") to delist the Company's common shares from the Nasdaq Capital Market and to deregister its common shares under Section 12(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). The common shares of the Company was suspended from trading on the Nasdaq Capital Market on September 12, 2022. The de-registration of Burcon's shares in the U.S. was effective on December 11, 2022.

In April 2022 Burcon received a letter from the Listings Qualification Department of the Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it has not met the listing rule that requires the listed securities of the Company to maintain a minimum bid price of US$1 per share. Although the Nasdaq notification letter did not result in the immediate delisting of the Company's common shares, the Company had a compliance period of 180 calendar days, or until September 28, 2022, to regain compliance with Nasdaq's minimum bid price requirement. Since April 2022, Burcon has reviewed its options in order to regain compliance with Nasdaq's listing rules. However, management believed it would not be able to regain compliance by September 28, 2022 and that a plan for share consolidation was not in the best interest of the Company. After careful consideration, Burcon's board of directors made the determination to delist its common shares from Nasdaq. The decision was made based on several factors, including the board's assessment of the probability of the Company regaining compliance with the continued listing requirements, an analysis of the benefits of continued listing weighed against the onerous regulatory burden and significant costs associated with maintaining continued listing, and that Nasdaq only provided a secondary trading platform with limited trading volume. Delisting would enable the Company to avoid extensive amount of management's time, attention and resources expended on regulatory compliance with Nasdaq's continued listing requirements. Additionally, delisting will enable the Company to avoid numerous ongoing costs associated with the continued listing, including annual fees, legal and audit costs.

The Company's common shares will continue to be listed on the Toronto Stock Exchange ("TSX"). Following delisting from Nasdaq, the Company's common shares continued trading on the OTC Pink Open Market and Burcon is evaluating whether it will apply for its common shares to be quoted for trading on the OTCQB, operated by OTC Markets Group.

PROTEIN INDUSTRIES CANADA

In March 2022, Burcon entered into a collaborative agreement with Protein Industries Canada ("PIC") for the development of high-quality protein ingredients from sunflower seeds. PIC is an industry-led, not-for-profit organization committed to positioning Canada as a global source of high-quality plant protein ingredients. It is one of Canada's five innovation superclusters, which are government-initiated efforts to boost Canada's job market, GDP, research and innovations. Burcon is partnering with Pristine Gourmet, a processor of 100% pure Canadian non-GMO cold pressed virgin oils, to develop Burcon's novel process for the production of sunflower protein ingredients. Premium sunflower protein isolate that contains greater than 90% protein purity, with exceptional taste and functionality, has the potential of setting a new benchmark in the growing plant-based ingredients market. The project is intended to fine-tune and scale up an economical extraction and isolation process from the by-product (pressed cake) of sunflower oil production. In March 2022, PIC advanced $122,707 to Burcon which was recorded as restricted cash and deferred revenue. During the three and nine months ended December 31, 2022, Burcon recorded PIC grants of $217,689 and $285,862, respectively (2021 - $nil and $nil) against research and development expenses and intellectual property expenses, of which $163,155 was included in amounts receivable as at December 31, 2022 (March 31, 2022 - $nil).

SECURED LOAN FACILITY

In June 2022, Burcon entered into a loan agreement with Large Scale Investments Limited ("Large Scale"), a wholly-owned subsidiary of Firewood Elite Limited ("Firewood"), for a secured loan (the "Secured Loan") of up to $10 million (the "Loan 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 Secured Loan would be made available to Burcon in two tranches of $5 million each upon satisfaction of certain conditions with respect to each tranche. The first tranche's closing date was June 22, 2022 and has a maturity date of July 1, 2024. If certain conditions of the second tranche have been met, the second tranche will have a maturity date that is 24 months from the closing date of such tranche (in each case, the "Maturity Date"). The drawn portion of the Loan Amount bears interest at 8% per annum payable on the Maturity Date of each tranche and is secured by all assets of Burcon. A commitment fee of 1% is charged on the undrawn amount of the Loan Amount under each tranche on (i) the closing date of such tranche and (ii) each annual anniversary of the closing date of each tranche. During the three and nine months ended December 31, 2022, Burcon paid Large Scale a commitment fee of $nil and $50,000, respectively, (2021 - $nil and $nil) on closing of the first tranche of the Secured Loan.

During the three and nine months ended December 31, 2022, Burcon drew down $nil and $4.0 million, respectively, from the first tranche of the Secured Loan and recorded interest expense of $63,123 and $70,575, respectively (2021 - $nil and $nil).

The proceeds of the Secured Loan have been used to fund Burcon's advance to Merit Foods, commercialization efforts, partnership discussions, continued research and development of Burcon's protein extraction and purification platform, further strengthening of Burcon's intellectual property portfolio and for other general corporate purposes.

INTELLECTUAL PROPERTY

Burcon's patent strategy is to seek protection for new technologies as well as further protecting current technologies. Over the years, Burcon has filed patent applications in various countries over its inventions. Burcon's patent applications can be grouped into three categories:

- Applications to protect additional novel protein extraction and purification technologies;
- Applications to protect the uses of Puratein®, Supertein®, Nutratein® canola proteins, CLARISOY® soy protein, Peazazz® and Peazac® pea proteins, and other plant proteins including sunflower protein, for example, as functional food and beverage ingredients; and
- Applications to protect the "signature characteristics" of Puratein®, Supertein®, Nutratein® canola proteins, CLARISOY® soy protein, Peazazz® and Peazac® pea proteins, and other plant proteins, including sunflower protein.

During the second quarter this year, Burcon announced that it received a notice of allowance from the United States Patent and Trademark Office ("USPTO") for a patent application covering the unique process to produce high purity protein ingredients from non-soy oilseed, which includes the use of sunflower seed as the source material. A notice of allowance from USPTO is a written notification that a patent application has cleared internal review and is pending issuance and will grant in the near future. The allowed patent application covers the unique processes to produce protein isolates from canola, sunflower, hemp, safflower, cottonseed, flax, sesame, mustard and peanut or any oilseed product or by-product derived from processing non-soy oilseeds.

Subsequent to the quarter-end, Burcon received a patent grant from USPTO for a key Peazazz® pea protein patent that covers valuable properties of pulse protein products made by Burcon's unique process, including the high protein purity of Peazazz®. Securing this key patent has been a priority for Burcon in order for Merit Foods to maintain, protect and ensure its marketplace differentiation.

Burcon continued the maintenance and prosecution of its patent applications during the three and nine months ended December 31, 2022.

Burcon currently holds 73 U.S. issued patents over its canola, soy, pulse (including pea) and flax protein processing technologies and canola and soy protein isolate applications, as well as canola and soy patents covering composition of matter. In addition, Burcon has a further 25patent applications currently filed with USPTO.

As of the date of this MD&A, Burcon's patents and patent applications cover over 50 distinct inventions. Burcon has also filed applications for most of its inventions internationally under the Patent Cooperation Treaty of the World Intellectual Property Organization. Together with patents issued in other countries, Burcon now holds a total of 323 issued patents covering inventions that include the 73 granted U.S. patents. Currently, Burcon has over 170 additional patent applications that are being reviewed by the respective patent offices in various countries.

RESULTS OF OPERATIONS

As at December 31, 2022, Burcon has not yet generated any significant revenues from its technology. For the three and nine months ended December 31, 2022, the Company recorded a loss of $16,303,246 and $23,533,464, respectively, ($0.15 and $0.22 per share), as compared to $1,506,823 and $6,042,170 ($0.01 and $0.06 per share) in the same periods last year. The significantly higher losses for the three and nine-month periods over the same periods last year are due to the impairment charges of $12.3 million and $12.3 million recorded on the investment in and loan to Merit Foods for the three and nine months ended December 31, 2022, respectively (2021 - $nil and $nil), as discussed on pages 6-7 of this MD&A. In addition, the Company's share of Merit Foods' losses also increased by $904,000 and $2,401,000, respectively. The balance of the increase is due mainly to the dilution gain $961,000 recorded and also pea and canola costs of $815,000 and $2,189,000 that were deferred during the three and nine months ended December 31, 2021.

For the three and nine months ended December 31, 2022, Burcon recorded royalty revenues of $161,206 and $363,913, respectively, (2021 – $44,597 and $94,222) from Merit Foods on sales of the Products.

The following provides a comparative analysis of significant changes in major expenditures items.

Research and development expenses

Components of research and development ("R&D") expenditures are as follows:
(in thousands of dollars)

	Three months ended Dec.31,		**Nine months ended Dec. 31**	
	2022	**2021**	**2022**	**2021**
Salaries and benefits	447	664	1,538	1,819
Amortization of deferred development costs	106	-	316	-
Laboratory operation	113	112	295	254
Rent	46	42	138	94
Amortization of property and equipment	54	59	142	176
Analyses and testing	13	11	44	50
Travel and meals	7	7	14	14
Inventory written off to research and development	-	-	-	132
Gross research and development expenses	786	895	2,487	2,539
Allocated to deferred development costs	-	(623)	-	(1,587)
Net research and development expenses	786	272	2,487	952

Burcon has been deferring costs related to its pea and canola protein technology since July 1, 2019. With the completion of the commissioning of the Flex Production Facility as of December 31, 2022, the technology that has been licensed to Merit Foods was capable of operating in the manner intended by the Company by the same date, therefore Burcon ceased the capitalization of costs related to its pea and canola technology and commenced the amortization of deferred development costs from January 1, 2022. Deferred development costs are being amortized on a straight-line basis over a 15-years.

During fiscal 2022, Burcon received government assistance through the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs. Both the CERS and CEWS programs terminated in October 2021. For the three and nine months ended December 31, 2022, R&D expenditures have been reduced by $nil and $nil, respectively, (2021 - $18,000 and $225,000) received from the CEWS and CERS programs. In addition, during the three and nine months ended December 31, 2022, Burcon recorded $185,000 and $286,000, respectively, (2021 - $nil and $nil) in PIC funding against R&D expenditures. For the three and nine months ended December 31, 2022, included in salaries and benefits before cost deferral is stock-based compensation expense of $192,000 and $538,000, respectively, (2021 - $243,000 and $702,000). The decrease in stock-based compensation expense is due mostly to options granted in 2021 that had higher valuation. Before assistance payments and cost deferral (see deferred development costs section), the cash portion of salaries and benefits decreased by $36,000 and $107,000, respectively, for the three and nine months ended December 31, 2022, which are mainly attributed to termination of staff and salary changes.

As Merit Foods began producing and supplying its own samples after the completion of the Flex Production facility on December 31, 2021, it no longer required Burcon to supply samples. As a result, Burcon wrote off its pea and canola inventory on-hand during the first quarter of fiscal 2022.

Intellectual property expenses
(in thousands of dollars)

	Three months ended Dec.31,		Nine months ended Dec. 31	
	2022	**2021**	**2022**	**2021**
Patent fees and expenses	205	469	824	1,216
Trademark	12	-	16	3
Allocated to deferred development costs	-	(192)	-	(602)
	217	277	840	617

As with R&D expenses, the Company has been deferring costs related to its pea and canola patent fees and expenses since July 2019 and began amortizing these costs from January 1, 2022.

The decrease in gross patent fees and expenses for the three and nine months ended December 31, 2022 over the same periods last year is due to lower maintenance fees for the soy portfolio. In addition, Burcon recorded PIC grant of $32,000 and $32,000 for patent expenditures for the three and nine months ended December 31, 2022, respectively (2021 - $nil and $nil).

Burcon's patent strategy is to seek protection for new technologies as well as further protecting current technologies. Over the years, Burcon believes it has developed a dynamic and extensive patent portfolio and has filed patent applications in various countries over its inventions. From inception, Burcon has expended $24.5 million on patent legal fees and disbursements to strengthen its patent portfolio in various countries of the world and file patent applications for new inventions.

General and administrative ("G&A") expenses
(in thousands of dollars)

	Three months ended Dec.31,		**Nine months ended Dec. 31**	
	2022	**2021**	**2022**	**2021**
Salaries and benefits	661	538	1,700	1,638
Investor relations	80	99	336	405
Professional fees	41	87	311	315
Office supplies and services	116	88	308	264
Travel and meals	15	4	77	27
Financing expense	19	41	36	41
Other	9	9	26	33
Transfer agent and filing fees	1	5	46	88
	942	871	2,840	2,811

For the three and nine months ended December 31, 2022, included in salaries and benefits is stock-based compensation expense in the amount of $251,000 and $452,000, respectively, (2021 – $185,000 and $627,000). The higher expense incurred in the current quarter over the same quarter last year is due mainly to options granted in the current quarter and the lower expense for the nine-month period, as compared to the same period last year, is due to options granted in fiscal 2021 that had a higher valuation.

For the three and nine months ended December 31, 2022, the Company received government assistance of $nil and $nil (2021 - $5,000 and $100,000) through the Canada Emergency Wage Subsidy ("CEWS") program, which has been applied against salaries and benefits expense. Before CEWS, the cash portion of salaries and benefits increased by $53,000 and $133,000, respectively, for the three and nine months ended December 31, 2022 over the same periods last year. The increases are due mainly to staff addition and salary changes.

Investor relations

For the three and nine months ended December 31, 2022, investor relations expenses decreased by $18,000 and $69,000, respectively, over the same periods last year. The decrease for the nine-month period is due mainly to the NASDAQ entry fee and consulting fees for social purpose positioning and messaging incurred during the first quarter of fiscal 2022, offset by increases in AGM expenses in the current year.

Professional fees

For the three and nine months ended December 31, 2022, professional fees decreased by $46,000 and $4,000, respectively, over the same periods last year. The decrease for the three-month period is due mostly to lower SOX consulting and quarterly review fees.

LIQUIDITY AND FINANCIAL POSITION

At December 31, 2022, the Company had cash and cash equivalents of $1.6 million. Burcon estimates it has sufficient capital to fund the current level of operations through June 2023 and further to May 2024 if conditions are met for the second tranche of the Secured Loan. While Merit foods continues to ramp up its production and sales at the Flex Production Facility, the magnitude of future royalty payments from

Merit Foods cannot be ascertained at this time. Before significant sales revenues are generated, Merit Foods will require further funding in order to maintain and continue its operations. Burcon will need to raise additional capital on acceptable terms in order for the Company to meet its business objectives and fund its operations. The Company is in the process of considering various financing options for its short-term and long-term funding requirements to maintain its operations and to fund its development activities. There can be no assurance that additional financing will be available on acceptable terms.

The net cash used in operations during the nine months ended December 31, 2022 was $5,041,000 as compared to $3,767,000 in the same period last year. The increase the net cash used in operations of $1,274,000 is mainly due to increases of $907,000 in R&D expenditures and $222,000 in IP expenditures that were expensed (note that pea and canola-related R&D and IP cash expenses of $946,000 and $602,000, respectively, were deferred during the nine months ended December 31, 2021), increase in G&A expenses of $210,000, decrease in interest received of $8,000, lower management fee income and other income of $79,000, offset by an increase in royalty income of $270,000, and changes in non-cash working capital items that contributed to $123,000 increase in net cash used in operations.

At December 31, 2022, Burcon had working capital of $1.6 million (March 31, 2022 – $6.6 million). As at December 31, 2022, Burcon was not committed to significant capital expenditures. In addition, Burcon may incur up to $290,000 in patent expenditures for the balance of fiscal 2023. The budgeted patent expenditures for fiscal 2023 has been further reduced from $1.3 million, as disclosed in the previous quarter, to $1.2 million, due to lower expected maintenance fees for the soy patent portfolio and other reduced patent expenditures. In addition, Burcon has abandoned certain non-core patents in its soy patent portfolio but it does not affect the strength of the patent portfolio.

FINANCIAL INSTRUMENTS

The Company's financial instruments are cash and cash equivalents, amounts receivable, loan to Merit Foods, accounts payable and accrued liabilities and the Secured Loan.

Credit risk

The financial instruments that expose the Company to a concentration of credit risk are cash and cash equivalents, amounts receivable and capital and loan advances to Merit Foods. 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.

The credit risk associated with the loan to Merit Foods and royalty receivable has increased significantly during the three and nine months ended December 31, 2022 (see Merit Foods section above). During the three and nine months ended December 31, 2022, the Company recorded expected credit loss provisions of:

a) $4,333,630 and $4,358,630, respectively, (2021 - $nil and $nil) related to the loan receivable from Merit Foods, with a total lifetime expected credit loss of $4,358,630 (March 31, 2022 - $83,000); and
b) $167,692 and $167,692, respectively, (2021 - $nil and $nil) related to royalty receivable from Merit Foods, with a total lifetime expected loss of $167,692 (March 31, 2022 - $nil).

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, short-term deposits that earn interest at fixed interest rates, and the Secured Loan that bears interest at a fixed interest rate. Burcon's cash and cash equivalents are held at two Canadian chartered banks to maximize interest and to diversify risk. For the three and nine months ended December 31, 2022, the weighted average interest rate earned on the Company's cash and cash equivalents was 2.8% and 1.4% per annum, respectively, (2021 – 0.35% and 0.42% per annum). The impact of a 1% strengthening or weakening of interest rates on the Company's cash and cash equivalents at December 31, 2022 is estimated to be a $16,000 increase or decrease in interest income per year.

Liquidity risk

The Company manages liquidity risk through management of its capital structure. The Company also manages liquidity risk by monitoring actual and forecasted cash flows taking into account current and planned operations. The Company's estimated minimum contractual undiscounted cash flow requirement for its financial liabilities at December 31, 2022 is $4,845,000, of which $719,000 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, restricted cash, amounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to the short-term maturities of these financial instruments.

The fair value of the loan to Merit Foods is a level 3 fair value and was determined using a discount rate of 11%. The discount rate used is considered the market rate of interest. As at December 31, 2022, an expected loss provision of $4,358,630 has been recorded against the loan receivable balance.

The carrying values and fair values of financial instruments, by class, are as follows as at December 31, 2022 and March 31, 2022:

(in thousands of dollars)

As at December 31, 2022

	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	-	1,609	-	1,609
Amounts receivable	-	390	-	390
Total	**-**	**1,999**	**-**	**1,999**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	585	585
Secured loan	-	-	4,070	4,070

Total	**-**	**-**	**4,655**	**4,655**

As at March 31, 2022

	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	-	7,001	-	7,001
Restricted cash	-	123	-	123
Amounts receivable	-	200	-	200
Loan to Merit Foods	-	3,228	-	3,311
Total	**-**	**10,552**	**-**	**10,635**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	906	906
Total	**-**	**-**	**906**	**906**

Currency risk

The Company entered into forward U.S. dollar purchase contracts to hedge its estimated exposure to currency fluctuations for certain of its U.S. denominated liabilities. As at December 31, 2022 and March 31, 2022, the Company is exposed to currency risk for the following assets and liabilities denominated in U.S. dollars:

	December 31, 2022	**March 31, 2022**
U.S. Dollars (in thousands)		
Cash and cash equivalents	80	69
Accounts payable and accrued liabilities	(31)	(5)
Net exposure	49	64
Canadian dollar equivalent (in thousands)	66	80

Based on the above net exposure at December 31, 2022, a 10% appreciation or depreciation of the U.S. dollar against the Canadian dollar would have resulted in an increase/decrease of approximately $5,000 (March 31, 2022 - $6,000) in the Company's loss from operations.

SEGMENT INFORMATION

The Company operates in a single reportable operating segment and geographic location involving the development of plant-based proteins. All non-current assets are located in Canada.

All non-current assets are located in Canada. For the three and nine months ended December 31, 2022 and 2021, all revenues were generated in Canada.

OUTSTANDING SHARE DATA

As at December 31, 2022, Burcon had 108,728,742 common shares outstanding, 7,178,804 stock options outstanding exercisable at a weighted average exercise price of $1.88 per share and 235,000 restricted share units outstanding. As at the date of this MD&A, Burcon had 108,728,742 common shares outstanding, 7,178,804 stock options outstanding exercisable at a weighted average exercise price of $1.88 per share and 415,181 restricted share units outstanding.

QUARTERLY FINANCIAL DATA

(Derived from unaudited interim financial statements. All figures in thousands of dollars, except per-share amounts)

	Three months ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	161	112	91	77
Interest and other income	131	131	109	123
Management fee income	19	18	7	3
Impairment on investment in Merit Foods	(7,987)	-	-	-
Impairment loss on loan to Merit Foods	(4,334)	-	-	-
Total comprehensive loss for the period	(16,303)	(3,234)	(3,996)	(4,216)
Basic and diluted loss per share	(0.15)	(0.03)	(0.04)	(0.04)

	Three months ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	44	32	18	250
Interest and other income	99	104	108	(47)
Management fee income	25	25	62	134
Gain on dilution of investment in Merit Foods	961	-	-	-
Total comprehensive loss for the period	(1,507)	(1,353)	(3,182)	(2,508)
Basic and diluted loss per share	(0.01)	(0.01)	(0.03)	(0.02)

As noted in the Merit Functional Foods Corporation section, Burcon recognized an aggregate of $12,321,000 impairment loss on the investment and loan to Merit Foods in the current quarter, which had a material impact on the total comprehensive loss for the three months ended December 31, 2022.

Burcon recognized a dilution gain of $961,000 in the fourth quarter of fiscal 2022 in its investment in Merit Foods after Bunge's investment.

RELATED PARTY TRANSACTIONS

Burcon had the following transactions with Regent Park Realty Inc., a company that is controlled by an entity with common directors (and also with common officers prior to September 1, 2021) with the Company. One of these directors also has indirect significant influence over the Company.

- For the three and nine months ended December 31, 2022, included in general and administrative expenses (management fees) is $280 and $897, respectively, (2021 - $207 and $2,312) for services provided to the Company. At December 31, 2022, $280 (March 31, 2022 - $522) of this amount is included in accounts payable and accrued liabilities.
- For the three and nine months ended December 31, 2022, included in interest and other income is $nil and $145, respectively, (2021 - $198 and $3,931) for management services provided by the Company.

Burcon has a services agreement (the "Services Agreement") with Merit Foods to provide technical, administrative and general management services, research and analytical services and sample production services based on rates set out in the Services Agreement. For the three and nine months ended December 31, 2022, included in management fee income is $19,416 and $44,401, respectively, (2021 - $24,650 and $107,390) for services, of which $10,088 was included in amounts receivable at December 31, 2022 (March 31, 2022 - $1,210).

Merit Foods also provides certain technical and consulting services to Burcon. For the three and nine months ended December 31, 2022, Burcon recorded professional fee expense of $nil and $19,145, respectively, (2021 - $nil and $9,415).

In relation to the Secured Loan, Burcon paid a commitment fee of $50,000 to Large Scale on closing of the First Tranche of the Secured Loan during the first quarter of fiscal 2023. During the three and nine months ended December 31, 2022, Burcon recorded $63,123 and $70,575, respectively, (2021 - $nil and $nil) of interest expense related to the Secured Loan. See Secured Loan Facility section for details.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations issued by the IFRS IC.

The preparation of consolidated financial statements in accordance with IFRS requires management to apply judgment in applying accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined below. In addition, IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amount of revenue and expenses during the reporting period, and disclosures made in the accompanying notes to the consolidated financial statements. Outlined below are the assumptions and other sources of estimation uncertainty as at September 30, 2022 that have a risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next year.

a) Areas of judgement

<u>Assessment of indicators of impairment of the Investment in Merit Functional Foods Corporation</u>

See Impairment on Investment in Merit Functional Foods Corporation above.

Assessment of indicators of impairment of long-lived assets including property and equipment and deferred development costs

Judgment is required in assessing whether there are indicators of impairment of long-lived assets. Management considers both internal and external information to determine whether there is an indicator of impairment and, accordingly, whether impairment testing is required. The information management considered included plant-based protein market information, Merit Foods' financial situation including cash flows. Due to the existence of one or more impairment indicators, the Company performed impairment testing on its long-lived assets.

As the Company determined that its long-lived assets generate cash flows only in combination with other assets as part of a larger cash generating unit ("CGU"), the entire CGU (including goodwill) was tested for impairment. In determining the recoverable amount, the Company considers its market capitalization and the carrying value of the cash generating unit. The estimate of recoverable amount is based on management's best estimates of what an independent market participant would consider appropriate. At December 31, 2022, management concluded that there was no impairment loss related to its CGU.

Commencement of amortization of deferred development costs

On July 1, 2019, the Company commenced deferring development costs related to its pea and canola technologies. Judgement is required to assess when amortization of deferred development costs commences. Management considered whether there was sufficient evidence to conclude that the Merit production facility was capable of operating in the manner intended by management. Based on the Merit production facility's output, management concluded that the facility was effectively commissioned on December 31, 2021. As a result, the Company ceased capitalization of costs and commenced amortization on January 1, 2022. Deferred development costs are amortized over estimated useful life of 15 years.

b) Sources of estimation uncertainty

Expected credit losses on Merit Foods loan receivable

See Investment in Merit Functional Foods Corporation section above.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

The amendment clarifies the classification requirements to determine if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing or recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2024 and is to be applied retrospectively, with earlier application permitted. The Company does not expect the new standard will have a significant impact on the consolidated financial statements.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit in accordance with National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102") is recorded, processed, summarized and reported within the time periods specified by NI 51-102 and the Canadian Securities Administrators. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under NI 51-102 is accumulated and communicated by management, including the Interim Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), our management, including our Interim Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2022. Based on the evaluation, our Interim Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures are not effective at a reasonable assurance level due to the material weakness described in Management's Report on Internal Control over Financial Reporting for the year ended March 31, 2022.

In addition, the Company reported in the first quarter of fiscal 2023 that based on the evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2022, our disclosure controls and procedures were not effective at a reasonable assurance level due to our inability to provide the Merit Foods financial statements as required by Rule 3-09 of Regulation S-X. However, as a result of filing Form 25 on September 12, 2022 that suspended our reporting obligations in the U.S. and the deregistration of the Company's shares in the U.S. that was effective on December 12, 2022, this material weakness is no longer applicable to the Company and therefore is considered to have been resolved.

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As of March 31, 2022, our management assessed the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013). Based on this assessment, our management concluded that, as of March 31, 2022, our internal control over financial reporting was not effective based on those criteria because a material weakness in internal control over financial reporting existed as of that date, as described below.

The Company did not design and operate controls with sufficient precision over the share of loss in Merit Foods. The Company's controls related to the review of its share of loss were not designed or operated at a level of precision to allow the Company to prevent or detect potential material misstatements in a timely manner. The material weakness did not result in any identified material misstatements to the consolidated financial statements for the year ended March 31, 2022 and there were no changes to previously released financial results.

REMEDIATION PLAN AND STATUS

The Company has implemented remediation measures improving the review of the share of loss in Merit Foods by implementing additional controls at a greater level of precision. The Company considered the implementation of its remediation plan complete as of December 31, 2022. The Company will continue to implement additional measures to further improve and fine-tune its review process.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes in the internal control over financial reporting, other than to address the material weakness described above, that occurred during the three months ended December 31, 2022 that could have materially affected, or are reasonably likely to materially affect, such controls.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties that can significantly affect its financial condition and future operations. Key risks are outlined below. In addition, a detailed explanation of the risk factors which we face is provided in our AIF for the year ended March 31, 2022 under the section titled "Risk Factors", which is incorporated by reference herein. The AIF is available at www.sedar.com.

Patents and proprietary rights – Burcon's success will depend, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of others or having others infringe on its rights. Burcon has filed applications for most of its inventions internationally under the Patent Cooperation Treaty of the World Intellectual Property Organization. As at the date of this MD&A, Burcon has been granted a total of 323 patents in various countries covering a number of key processes and uses of Burcon's soy, pea, canola and flax protein products as functional food and beverage ingredients. Of those patents, 73 have been granted in the United States. Although Burcon expends significant resources and efforts to patent its discoveries and innovations, there can be no assurance that our patent applications will result in the issuance of patents, or any patents issued to Burcon will provide it with adequate protection or any competitive advantages, or that such patents will not be successfully challenged by third parties. Burcon cannot be assured that competitors will not independently develop products similar to the Company's products or manufacture products designed to circumvent the exclusive patent rights granted to the Company. Further, Burcon may need to incur significant expenditures in prosecuting claims against others whom it believes are infringing on its rights and by defending claims of intellectual property infringement brought by its competitors and others.

Development and commercialization – Although Merit Foods has completed construction of and commissioned the Flex Production Facility to commercialize Burcon's pea and canola proteins, it has not generated significant revenues from the sale of the Products. Before significant sales revenues are generated, Merit Foods will require further funding in order to maintain and continue its operations. There can be no assurance that such funding will be available. There can be no assurance that any of Merit Foods' products will obtain regulatory approvals in countries where such approvals have yet to be sought, or be successfully marketed. For Burcon, there can be no assurance that the investment made in Merit Foods will be recouped through the royalties generated from sales of Merit Foods' products. The long-term success of Puratein®, Supertein® and Nutratein® canola proteins, and Peazazz® and Peazac® pea protein and Nutratein® pea protein/canola protein blend products hinges upon market acceptance by food and feed ingredient manufacturers and suppliers in numerous product applications. Even though Puratein®, Supertein® and Nutratein® canola proteins, and Peazazz® and Peazac® pea proteins and Nutratein® pea protein/canola protein blend products may be found to be functionally acceptable in product applications, there is no assurance that they will obtain market acceptance and within a reasonable time frame. The majority of food or feed ingredient manufacturers require a substantial testing phase and demonstration of consistent delivery and production capabilities for commercialization. Until large batches of products can be supplied, market acceptance of Puratein®, Supertein®, and Nutratein®

canola proteins, and Peazazz® and Peazac® pea proteins and Nutratein® pea protein/canola protein blend products may be delayed. Although Merit Foods has completed construction of and commissioned the Flex Production Facility for Burcon's pea and canola proteins, it may be some time before product sales of pea and canola proteins will be significant.

With the termination of the Soy Agreement with ADM, Burcon must secure a strategic partner for its soy protein isolates. If Burcon is unable to secure an alternative strategic partner for its soy protein isolates, then the commercialization of its products may be delayed or unsuccessful. Burcon is investigating alternative paths to bring its soy protein technologies to market. Although Burcon is in discussions with a potential partner to commercialize its soy protein, there can be no assurance that a strategic partner will be found.

With the exception its canola and pea proteins, none of Burcon's other potential products are commercially available as a food ingredient for human consumption. The rising popularity of plant proteins has resulted in significant growth with increased participation by competitors entering the market to produce plant proteins. Many competitors and potential competitors have substantially greater product development capabilities and financial, scientific, marketing, and human resources than Burcon. These competitors may succeed in developing products earlier than Burcon, obtaining regulatory approvals for such products more rapidly than Burcon or developing products that are more effective than those proposed to be developed by Burcon.

History of operating losses and financing requirements – Burcon has accumulated net losses of approximately $132.8 million from its date of incorporation through December 31, 2022. While Merit Foods continues to ramp up its production and sales at the Flex Production Facility, the magnitude of future royalty payments from Merit Foods cannot be ascertained at this time. Before significant sales revenues are generated, Merit Foods will require further funding in order to maintain and continue its operations. There can be no assurance that such funding will be available. If Merit Foods is unable to continue its operations, Burcon will need to find another licensee for its pea and canola protein extraction and purification technologies to produce products. In the absence of a definitive time when sales of products will be significant, Burcon expects its accumulated losses to increase as it continues to commercialize its products, its research and development and its product application trials. Burcon cannot predict if it will ever achieve profitability and, if it does, it may not be able to sustain or increase its profitability. The commercial success of any of Burcon's products will depend on whether they receive public and industry acceptance as a food ingredient and dietary supplement, and whether they may be sold at competitive prices or are able to obtain sufficient royalty revenue from licensing, which adequately exceeds Burcon's business costs.

Developing Burcon's products and conducting product application trials is capital intensive. Since acquiring its subsidiary in October 1999, Burcon has raised gross proceeds of $107.7 million from the sale or issuance of equity securities and $9.5 million from the issuance of convertible debentures, and $4.0 million from the Secured Loan from Large Scale. As at December 31, 2022, Burcon had $1.6 million in cash and cash equivalents. If the first tranche of the Secured Loan is fully drawn, Burcon estimates it has sufficient capital to fund the current level of operations through June 2023 and further to May 2024 if conditions are met for the second tranche of the Secured Loan. Burcon will need to raise additional capital on acceptable terms in order for the Company to meet its business objectives and fund its operations. See also Going Concern section above.

COVID-19 – Pandemic Risk

Burcon's operations have not been materially impacted by the COVID-19 pandemic. Since March 2020, Burcon has implemented measures to ensure the safety of work conditions for its staff at the Winnipeg Technical Centre and at its head office in Vancouver. Burcon's COVID-19 protocols continue to evolve in response to government health and safety guidance. While the COVID-19 pandemic has caused certain disruptions and delays in Merit Foods' business operations, including the commissioning process of the Flex Production Facility. It is not possible to predict how long the pandemic will continue to last and whether the financial and business conditions of Burcon and Merit Foods will be further impacted in future periods.

OUTLOOK

For the balance of this year and into fiscal 2024, Burcon's main objective will be to finalize and execute a plan for a path forward to address Merit Foods' financial situation. In addition, Burcon will focus on securing a strategic partner for its novel sunflower protein technology. Burcon's activities will include:

- continuing the process and negotiations with Merit Foods' lenders for financing terms that will enable Merit to maintain current business momentum and provide a path to profitability;
- securing interim financing for Merit Foods while working on a well-defined, longer-term funding solution;
- working with Merit Foods to further optimize Merit Foods' Flex Production Facility;
- securing a strategic partner with the goal of commercializing its novel sunflower protein technology;
- advancing Burcon's pipeline of plant-based protein technologies by conducting research to develop and refine its extraction and purification processes for novel protein products;
- filing patent applications to protect intellectual property arising from research and development of new protein technologies;
- conducting further research to develop additional applications for Peazazz® and Peazac® pea proteins, Supertein®, Puratein® and Nutratein® canola proteins, sunflower proteins and blends of the proteins into food products; and
- continuing to file patent applications to protect the sunflower and Peazazz® pea protein extraction processes, the composition of sunflower and Peazazz® pea protein, as well as applications for sunflower and Peazazz® pea protein into food products.

In addition, Burcon will also:

- further strengthen and expand its intellectual property portfolio;
- explore opportunities for acquiring or licensing into Burcon, novel technologies that will complement or enhance Burcon's intellectual property portfolio and business initiatives;

- pursue product development agreements with major food, beverage, and nutritional product companies to develop improved or novel applications for Burcon's other specialty proteins into their products; and

- continue to engage in investor relations activities to support the expansion of Burcon's investor base, particularly from the U.S. investment community, by raising awareness about Burcon through various media channels, analyst coverage and investor relations.