MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Years ended March 31, 2023 and 2022

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

This Management's Discussion and Analysis ("MD&A") has been prepared as at June 28, 2023 to provide a meaningful understanding of Burcon NutraScience Corporation's ("Burcon" or the "Company") operations, performance, and financial condition for the year ended March 31, 2023. The following information should be read in conjunction with the Company's audited consolidated financial statements and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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;
- ability to produce proteins and protein isolates at a cost level which will make them competitive with animal proteins;
- construction, commissioning and operation of production facilities;

- relocation expansion of the Winnipeg Technical Centre;
- 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 identify a suitable joint venture partner for its protein extraction and purification strategies;
- the Company's ability to execute its strategic and business strategies;
- the Company's and its joint venture partners' ability to construct, commission and operate its production facility;
- the Company's or its licensing partners' ability to generate new sales;
- the Company's or its licensing partners' ability to produce, deliver and sell the expected product volumes at the expected prices;
- the Company's ability to obtain required regulatory approvals;
- 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 the Company's products;
- availability of input materials;
- changes in input materials and 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;
- 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 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
- 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

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management considers all available information and actions within its control with respect to the future which is at least, but not limited to, twelve months from the end of the reporting period.

As at March 31, 2023, the Company has not earned significant revenues from its technology licensing and, had an accumulated deficit of $134.6 million (March 31, 2022 - $109.2 million). During the year ended March 31, 2023, the Company incurred a net loss of $25.4 million (2022 - $10.3 million) and had negative cash flow from operations of $6.0 million (2022 - $5.9 million). Further, the investment in and loans given to Merit Functional Foods Corporation ("Merit Foods") have been written off as at March 31, 2023 as a result of Merit Foods being placed in receivership on March 1, 2023. Subsequent to March 31, 2023, the Company completed a private placement for gross proceeds of $3.4 million.

The Company's ability to continue as a going concern is dependent upon the Company's ability to reduce its operating costs and to raise additional capital to fund its planned research and development activities to achieve its business objectives. The Company has historically relied on equity and debt financings to undertake its research and development activities. While the Company is considering various financing options for its short-term and long-term liquidity requirements to maintain its operations and fund its research and 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 research and development programs. Therefore, these conditions result in material uncertainties that may cast significant doubt over the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

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. 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 267 issued patents worldwide, including 69 issued U.S. patents, and in excess of 125 additional patent applications, 19 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. The Company has a 100% interest in Burcon Holdings, which was formed solely to hold an interest in Merit Foods. After

Bunge Limited's ("Bunge") investment in August 2020 and further investment in October 2021 into Merit Foods, Burcon's shareholdings decreased to 31.6%. As a result of Bunge's investment in Merit Foods in October 2021, Burcon recorded a dilution gain of $961,164 during the year ended March 31, 2022.

Merit Foods constructed and commissioned a commercial production facility (the "Flex Production Facility") in Winnipeg, Manitoba. Up to March 1, 2023 when Merit Foods was placed in receivership (see below), the business of Merit Foods was the production, sales, marketing and distribution of 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 had the exclusive rights over Burcon's pulse proteins 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 was responsible for the technology transfer to Merit Foods and provided 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.

Merit Foods completed the commissioning process on December 31, 2021. With the completion of the commissioning process, the Flex Production Facility commenced its operation with the licensed technologies in the manner intended by management. Accordingly, Burcon ceased capitalization of costs to deferred development and commenced amortization of deferred development costs on January 1, 2022.

From inception of Merit Foods to March 31, 2023, Burcon Holdings made loan advances (the "Merit Promissory Notes") of $17.1 million to Merit Foods, including $4,107,425 during the year ended March 31, 2023, as its proportionate share of all of Merit Foods' shareholders' advances to Merit Foods, to address Merit Foods' liquidity requirements. The terms of the advances made in fiscal 2023 were the same as previous loan advances made, as described below.

The terms of the initial loan advances were finalized by December 2019 and the loan advances were non-interest bearing, unsecured, subordinated to Merit Foods' other secured and unsecured debts, had a term of 15 years, and was repayable 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. The calculated present value of the loan advances was allocated to loans receivable using a discount rate of 11%, and the residual was allocated to capital contributions.

Merit Foods has incurred cumulative operating losses and negative operating cash flows that have adversely impacted its financial situation and liquidity position. In September 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 new strategic investors. However, no funding had been received from any potential new investor.

Due to Merit Foods' financial difficulties and inability to secure a new strategic investor, Merit Foods was unable to meet its obligations with its secured creditors. On March 1, 2023, EDC and FCC jointly applied for and received a court order under the Business and Insolvency Act to appoint a receiver (the "Receiver") of all of the assets, undertakings and properties of Merit Foods (the "Property").

After its appointment, the Receiver set out a sales process for the Property, including a timeline and process for review and acceptance of offers. On April 24, 2023, Burcon announced that, in cooperation with an industry plant protein company, it was participating in a bid to acquire the Property. On May 8, 2023, Burcon announced that the Receiver had notified Burcon and the industry participant that the bid submitted was not accepted. Following this decision, Burcon continued to work with additional industry participants, who had expressed an interest in jointly acquiring the Property, to formulate an alternative bid for the Property. As of the date of this MD&A, the sales process is ongoing.

If Burcon is unable to identify a partner to formulate an alternative bid for the Property prior to the completion of the sales process, Burcon will need to assess the outcome of the sales process and the effect on the Amended License Agreement. If the successful acquiror of the Property wishes to produce and sell the Products, such an acquiror will be required to pay and Burcon will have the ability to receive royalties under the Amended License Agreement.

Impairment and write-off of loan to Merit Functional Foods Corporation

The Company recorded the expected credit losses on Merit Foods' loan receivable based on management's best estimate of lifetime expected credit loss taking into consideration of the probability of default, loss given default, and outstanding balance of the loans. Due to Merit Foods being placed in receivership on March 1, 2023, the loans to Merit Foods were considered to be credit-impaired. As a result, the Company wrote off the carrying value of the loans to Merit Foods of $4,358,630, (2022 – ECL of $8,807) for the year ended March 31, 2023.

Impairment of and write-off of investment in Merit Foods

As a result of Merit Foods being placed in receivership on March 1, 2023, management concluded that there was objective evidence of impairment related to its investment in Merit Foods. As at March 31, 2023, 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 Merit Foods being placed in receivership, it would not be appropriate to use VIU as the recoverable amount. In addition, there was, in management's opinion, no reason to believe that the FVLCD would result in a significant positive value. Accordingly, the Company wrote off the carrying value of its investment in Merit Foods of $7,987,304 for the year ended March 31, 2023.

As of March 31, 2023, the carrying value of the investment in and loan to Merit Foods comprised 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	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**
Loan advances	3,313	794	4,107
Share of loss in Merit Foods	(5,500)	-	(5,500)
Interest accretion	-	336	336
Write-off of investment	(7,987)	-	(7,987)
Write-off of loan receivable	-	(4,359)	(4,359)
Net Investment in Merit Foods, March 31, 2023	**-**	**-**	**-**

Merit Foods has total outstanding loan facilities of $95 million from a syndicate of lenders including Export Development Canada ("EDC"), Farm Credit Canada ("FCC") and the Canadian Imperial Bank of Commerce ("CIBC"). All shareholders of Merit Foods pledged their shares in Merit Foods as security under the loan facilities from EDC and FCC. The Merit Promissory Notes were postponed, assigned and pledged to EDC and FCC. In addition, all shareholders of Merit Foods have provided guarantees for the indebtedness to EDC and FCC (the "EDC/FCC Guarantees"), which are joint and several. Burcon Holdings' guarantees provided to EDC and FCC are unlimited. Interest continues to accrue on the loans from EDC and FCC during the receivership process. To-date, Burcon Holdings has not received communication from EDC and FCC with respect to the EDC/FCC Guarantees.

In April 2020, Burcon Holdings and the Partners provided guarantees in the aggregate amount of $1.25 million to CIBC (the "CIBC Guarantee"), of which Burcon Holdings' proportionate share was $500,000. In connection with Bunge's investment into Merit Foods in August 2020, Burcon Holdings' amount was reduced to $416,625. On February 24, 2023, Burcon Holdings received a letter from CIBC for its guarantee amount of the CIBC Guarantee. As Merit Foods' receivership process has not yet concluded, the outcome of CIBC's claims against the guarantors of Merit Foods' indebtedness to CIBC is unknown.

Merit Foods had also received additional debt financing of $10 million in the form of a 10-year interest-free loan from Agriculture and Agri-Food Canada (the "AIP Loan"). Burcon Holdings and the Partners provided a guarantee for the AIP Loan (the "AIP Guarantee"). The obligations of the AIP Guarantee are joint and several. However, Burcon Holdings and the Partners (the "AIP Guarantors") entered into a reciprocal indemnity agreement (the "Indemnity Agreement'). Under the Indemnity Agreement, if any AIP Guarantor (each, a "Paying Guarantor") is required to make payment under the AIP Guarantee and any other AIP Guarantor (each, a "Contributing Guarantor") has not made a corresponding payment equal to its share based on its shareholdings in Merit Foods ("Contributive Share"), such Contributing Guarantor(s) shall pay the Paying Guarantor such amounts so that, after payment, all obligations and liabilities under the AIP Guarantee will have been borne by the AIP Guarantors in their original respective shareholding percentage in Merit Foods. To-date, Burcon Holdings has not received any communication from AIP with respect to the AIP Guarantee.

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") is 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's Contributive Share under the EDC Indemnity Agreement is 44.44%. As a result of Bunge's investment in October 2021, the aggregate amount of debt guaranteed by the EDC Guarantors under the EDC Guarantee was reduced to $5.05 million, and Burcon Holdings' maximum liability under the EDC Indemnity Agreement has been reduced to $2.24 million. During the year ended March 31, 2023, as a result of the $10 million cash injection by the shareholders of Merit Foods, the EDC released the personal guarantees provided by the EDC Guarantors. As a result, the EDC Indemnity Agreement was also released.

As at March 31, 2023, Burcon Holdings' total exposure from principal amounts of guarantees provided to EDC, FCC, AIP and CIBC is $99.4 million.

Summary financial information for Merit Foods
(in thousands of dollars)

	March 31, 2023	**March 31, 2022**
Total assets	N/A	141,242
Total liabilities	N/A	109,938

As Merit Foods was placed in receivership on March 1, 2023, Burcon was unable to obtain additional financial information for Merit Foods.

	Year ended March 31, 2023	**Year ended March 31, 2022**
Total revenue	7,719	6,284
Loss for the year	(17,405)	(13,271)

Since Merit Foods was placed in receivership on March 1, 2023, no additional financial information was available to Burcon subsequent to December 31, 2022. The above reported financial results for the year ended March 31, 2023 include only the nine month period ended December 31, 2022.

During the year ended March 31, 2023, Burcon recorded royalty revenues of $363,913 (2022 - $171,471) from Merit's sales of the Products, of which $100,000 was included in amounts receivable as at March 31, 2023 (2022 - $124,359). Due to Merit Foods being placed in receivership, the Company has recorded an expected credit loss for royalty receivable from Merit Foods measured at an amount equal to lifetime expected credit loss of $167,692 in interest and other income.

For the year ended March 31, 2023, included in management fee income is $44,402 (2022 - $110,504) for services provided and $nil (2022 - $287) of samples sold to Merit Foods, of which $nil was included in amounts receivable at March 31, 2022 (2022 - $1,210). As a result of Merit Foods being placed in receivership, an expected credit loss equal to lifetime equal to lifetime expected credit loss of $10,088 (2022 - $nil) has been recorded in interest and other expense.

Merit Foods also provided certain consulting services to Burcon. For the year ended March 31, 2023, Burcon recorded professional fee expense of $19,145 (2022 - $9,415).

<u>Deconsolidation of Burcon Holdings</u>

Burcon Holdings' sole asset and activity were the investment in and loan to Merit Foods and therefore considered a single asset entity. Effective upon Merit Foods being placed in receivership on March 1, 2023, the remaining relevant activities of Burcon Holdings are considered to be winding up and termination procedures to minimize losses to the Company. However, due to the pledge and assignments agreements in place, as disclosed above, the winding up and termination procedures of Burcon Holdings would not provide any returns. Moreover, the Company does not have any obligations nor any expectation to fund Burcon Holdings, which limits the Company's exposure to losses. Further, the activities of Merit Foods are now primarily executed to ensure that the lenders will maximize the recovery of their investment, and the equity holders of Merit Foods have no prospect of returns due to the significant amount of debt liabilities. The Company is not able to use its power over Burcon Holdings to impact returns as it relates to Merit Foods and has no expectation that Burcon Holdings will generate new activities that will allow it to return to profitable operations. Accordingly, the Company determined that it had lost control of Burcon Holdings. There is no recourse to the Company of Burcon Holdings' obligations, including the guarantees Burcon Holdings provided to EDC, FCC, AIP and CIBC. Accordingly, on March 1, 2023, the Company derecognized the assets and liabilities of Burcon Holdings.

No gain or loss was recorded as a result of the deconsolidation of Burcon Holdings.

Due to the loss of control of Burcon Holdings, the Company's interest in this subsidiary is accounted for as a financial asset after deconsolidation with a fair value of $nil, because there is no expectation of recoverability of the asset, operations or earnings in the future.

WINNIPEG TECHNICAL CENTRE ("WTC")

During the year ended March 31, 2023, 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 culminated in the announcement during 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 and hemp. The demand for plant-based proteins continues to grow and Burcon believes there may be niche market opportunities for its specialty protein ingredients.

On May 24, 2023, Burcon announced that it will be expanding its protein development and innovation business by offering pilot plant processing and scale-up validation as a service for third parties. Burcon's

WTC comprises 10,000 square feet of lab and pilot-scale production area utilizing state-of-the-art commercial processing equipment for start-to-finish product development. Manufacturers looking to upcycle by-products, develop end-to-end processes or to validate and scale-up a process can leverage the Company's infrastructure and food processing expertise.

STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Burcon continued with its discussions and negotiations with potential partners on additional plant-based protein opportunities. During fiscal 2023, 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 fiscal 2023, 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 greater than 90% protein content. Initial feedback on Burcon's novel sunflower protein isolate has been positive.

Like Burcon's other proteins, the sunflower proteins feature taste and functional attributes that are expected to be able to 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.

Subsequent to March 31, 2023, Burcon announced that it has successfully completed end-to-end validation trials of its novel sunflower protein process using commercial-scale equipment at the WTC.

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 25 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

Burcon's common shares were re-listed on The NASDAQ Capital Market ("NASDAQ") on May 25, 2021. In April 2022 Burcon received a letter from the Listings Qualification Department of the 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.

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 to delist the Company's common shares from the NASDAQ and to deregister its common shares under Section 12(b) of the Securities Exchange Act of 1934, as amended. The common shares of the Company were suspended from trading on NASDAQ on September 12, 2022. The delisting and deregistration of Burcon's shares in the U.S. became effective on September 22, 2022 and December 11, 2022, respectively.

Delisting has enabled the Company to focus its attention and resources on Burcon's strategic initiatives and the Company has avoided numerous ongoing costs associated with the continued listing, including annual fees, legal and audit costs.

The Company's common shares 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.

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 partnered 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's objective was to fine-tune and scale up an economical extraction and isolation process from the by-product (pressed cake) of sunflower oil production. During the year ended March 31, 2023, Burcon recorded PIC grants as government assistance of $453,239 (2022 - $nil) against research and development expenses, intellectual property expenses and property and equipment, of which $169,648 is included in amounts receivable as at March 31, 2023 (March 31, 2022 - $nil). The project was completed on March 31, 2023.

SECURED LOAN

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. Subsequent to March 31, 2023, Burcon and Large Scale entered into a letter agreement to amend certain conditions to be satisfied by Burcon for the advance of the second tranche. During the year ended March 31, 2023, Burcon paid Large Scale a commitment fee of $50,000 (2022 - $nil) on closing of the first tranche of the Secured Loan.

During the year ended March 31, 2023, Burcon made drawdowns totalling $5.0 million from the first tranche of the Secured Loan, all of which was outstanding as at March 31, 2023. Total issue costs of $89,650, including to the Commitment Fee, have been netted against the Loan Amount and accreted over the period to July 1, 2024. During the year ended March 31, 2023, the Company recorded interest expense of $202,031 (2022 - $nil) at an effective interest rate of 9.12% per annum.

PRIVATE PLACEMENT

Subsequent to March 31, 2023, the Company completed a private placement of 12,880,829 units (the "2023 Units") at a price of $0.265 per 2023 Unit for gross proceeds of $3,413,420. Each 2023 Unit consisted of one common share and one share purchase warrant exercisable at $0.35 for one common share for a period of 36 months from the date of issuance of the 2023 Units. The Company paid finders fees in the aggregate amount of $9,440, representing 4% of the gross proceeds raised from certain placees under the private placement.

The Company has used the proceeds from its financing activities to fund Burcon's operational activities, and advances to Merit Foods. In addition, the Company has used and will continue to use the proceeds from its financing activities to fund activities associated with commercialization efforts, partnership discussions, continued research and development of Burcon's protein extraction and purification platform, pursue new related products, developing new applications from the functional attributes of Burcon's proteins, fund Burcon's patent activities, and provide general working capital.

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 fiscal 2023, Burcon received 29 new patent grants in various countries worldwide for its protein extraction and purification technologies, including patent grants from the United States Patent and Trademark Office ("USPTO") for:

- a patent covering 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; and
- a patent 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 year ended March 31, 2023. As part of Burcon's annual review of its patent portfolio, Burcon may abandon certain non-core patents and patent applications which it deems to be non-essential or redundant for the purposes of achieving its strategic objectives by not paying annuities or maintenance payments when due. In the course of optimizing its patent portfolio, Burcon conducted a review during fiscal 2023 with the goal of focusing on the technologies with the greatest potential value. This process will allow the efficient protection of essential and emerging technologies in key markets and jurisdictions as Burcon's technology offerings continues to grow and evolve.

Burcon currently holds 69 U.S. issued patents over its canola, soy, pulse 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 19 patent 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 267 issued patents covering inventions that include the 69 granted U.S. patents. Currently, Burcon has over 125 additional patent applications that are being reviewed by the respective patent offices in various countries.

RESTRICTED SHARE UNIT ("RSU") PLAN

At the annual meeting held in September 2021, the shareholders of the Company approved a new RSU plan in which all directors, officers, employees and consultants of the Company and its subsidiaries are eligible to participate. Each RSU is redeemable for one common share of the Company but, at the election of the Company, may be redeemed for cash in the amount equal to the market value of the Company's shares on vesting date, or a common share acquired by the Company on a public exchange. The RSUs must be redeemed no later than December 31st of the third year after the date of grant. The vesting terms are determined at the discretion of the board of directors at the time of grant. The fair value of the grants is determined on the date of grant and 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. During the year ended March 31, 2023, 307,181 RSUs were granted (2022 – 121,000) at a weighted fair value of $0.43 per RSU (2022 – $1.35).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") MATTERS

Burcon's extraction processes use no harsh chemicals and emit no noxious odours or significant waste products. Biodegradable, natural and/or recyclable input materials, end-products and by-products are used and, therefore, are expected to present no significant environmental risk. As such, Burcon does not foresee any financial and operational effects of environmental protection or requirements on the capital expenditures, earnings and the competitive position of Burcon in the foreseeable future.

As part of Burcon's sustainability initiatives to reduce the environmental impact of food and agriculture through its plant-based protein technologies, management is actively investigating sustainability disclosure frameworks to which Burcon may utilize to identify and quantify its carbon footprint of its technologies and ongoing research and development. Identifying the sustainability issues pertinent to Burcon's operations and technologies is the first step in the process of reducing environmental emissions.

The Financial Stability Board established the Task Force on Climate-related Financial Disclosures ("TCFD") to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The Canadian Securities Administrator ("CSA") proposes to implement new reporting requirements for issuers regarding climate change disclosure. The requirements are consistent with the recommendations established by the TCFD and will generally require governance disclosure, strategy disclosure, risk management disclosure and metrics and targets disclosure.

Based on Burcon's preliminary materiality assessment of its operations, Burcon has identified the following top five sustainability issues it believes are the most material to its business and stakeholders:

1. Greenhouse gas emissions

2. Energy management

3. Water and wastewater management

4. Product quality and safety

5. Employee health and safety

Burcon is in a unique position where it conducts research and development on a small pilot scale to develop technologies for the global commercialization of its novel protein ingredients. As such, Burcon does not believe it is exposed to environmental and climate-related issues on the same scale as major agricultural and ingredient processors. Nevertheless, Burcon believes it may be in the best interests of Burcon, its stakeholders and investors for the Company to identify and provide transparency around its sustainability initiatives to address the ESG issues most relevant to the Company.

With a goal to assess Burcon's carbon footprint, Burcon intends to further explore methods of data collection, where the Company can begin to quantify the top five environmental impacts listed above associated with all the stages of technology development – from conception to commercialization. Burcon expects that it may be required to engage a consultant with expertise on ESG matters to assist Burcon with this process. Burcon believes that a comprehensive ESG review and preparation of a report may require at least 12 months or more to complete.

SUMMARY OF OPERATING RESULTS

Years ended March 31 (in thousands of dollars, except share and per-share amounts)

	2023	2022
Royalty income	364	171
Loss for the year	(25,364)	(10,258)
Basic and diluted loss per share	(0.23)	(0.09)
Total assets	9,899	29,350
Total long-term liabilities	5,137	59
Weighted average shares outstanding (thousands)	108,729	108,588

RESULTS OF OPERATIONS

As at March 31, 2023, Burcon has not yet generated any significant revenues from its technology. For the year ended March 31, 2023, the Company recorded a loss of $25,364,250 (2022 - $10,258,407) or $0.23 per share (2022 - $0.09 per share). Loss from operations for the year ended March 31, 2023 was $7,525,270 (2022 - $7,397,578). The significantly higher loss for fiscal 2023 over fiscal 2022 is due to the write-off of $12.3 million for the investment in and loan to Merit Foods, as discussed on page 6 of this MD&A. In addition, the Company's share of Merit Foods' losses also increased in fiscal 2023 by $1.2 million over fiscal 2022. The balance of the increase is due mainly to the dilution gain of $961,000 recorded in fiscal 2022 and an increase of $394,000 in interest and other expense.

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)

	Year ended March 31	
	2023	**2022**
Salaries and benefits	1,936	2,418
Intellectual property	946	2,050
Amortization of deferred development costs	421	105
Laboratory operation	344	326
Amortization of property and equipment	209	236
Rent	179	140
Analyses and testing	74	75
Travel and meals	16	-
Inventory written off to research and development	-	132
Gross research and development expenses	4,125	5,482
Allocated to deferred development costs	-	(2,189)
Net research and development expenses	4,125	3,293

Burcon deferred costs related to its pea and canola protein technology from July 1, 2019 to December 31, 2021, when the technology that has been licensed to Merit Foods was capable of operating in the manner intended by the Company. From January 1, 2022, 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.

For the year ended March 31, 2023, salaries and benefits, intellectual property, laboratory operation, analyses and testing, travel and meals expenses have been reduced by PIC funding of $448,101 (2022 - $nil).

For the year ended March 31, 2023, salaries and benefits and rent expenses were reduced by COVID-19 subsidies of $nil (2022 - $225,309) from the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy programs ("CERS). The CEWS and CERS programs were terminated in October 2021.

As Merit Foods began producing its own samples after completion of the Flex Production Facility to provide to its customers, Merit Foods no longer required Burcon to supply samples. As a result, Burcon wrote off its pea and canola inventory on-hand during the year ended March 31, 2022.

Before government assistance, cost deferral, and inventory written off, total R&D costs during fiscal 2023 decreased by approximately $1,002,000 over fiscal 2022. Of the decrease, $1,038,000 was attributed to a decrease in intellectual property ("IP") expenditures, three-quarters of which related to patent maintenance fees. As noted above, Burcon may abandon certain non-core patents and patent applications that it deems to be non-essential or redundant for the purposes of achieving its strategic objectives by not paying annuities or maintenance payments when due. Maintenance fees were deferred to conserve cash resources during the patent portfolio review process. 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 $24.6 million on patent legal fees and disbursements to strengthen its patent portfolio in various countries and file patent applications for new inventions.

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

	Year ended March 31	
	2023	**2022**
Salaries and benefits	2,206	2,494
Professional fees	613	715
Office supplies and services	415	352
Investor relations	351	499
Travel and meals	95	40
Transfer agent and filing fees	48	92
Depreciation	31	37
Other	4	6
Financing expense	1	41
	3,764	4,276

Salaries and benefits

Included in salaries and benefits for the year ended March 31, 2023 is stock-based compensation expense of $587,000 (2022 - $1,093,000). The lower stock-based compensation expense incurred during fiscal 2023 is due to lower fair values of options granted during this year.

The Company received government assistance of $nil (2022 - $115,000) through the Canada Emergency Wage Subsidy ("CEWS") program, which has been applied against salaries and benefits expense. Before CEWS, the increase in the cash portion of salaries and benefits of $103,000 in fiscal 2023 over fiscal 2022 is due mainly to staff changes, including a senior management member in the third quarter of fiscal 2023, and to salary increases. Directors' fees also decreased by approximately $59,000 for the year ended March 31, 2023 over the prior year, with three-quarters of the decrease due to directors waiving payment of their fees for a period of three months, as part of the cash conservation measure the Company undertook during the year.

Professional fees

Professional fees decreased during fiscal 2023 by $102,000 over fiscal 2022. The decrease is mainly attributed to decreases of $68,000 for audit and review fees, mostly related to the audit requirement of the Company's internal controls in fiscal 2022. Recruiting fees also decreased by $66,000 for the search for a new CEO and a manager, as well as a decrease in consulting fees of $46,000. This was offset by higher legal fees of $78,000 related to Merit Foods matters.

Investor relations

Investor relations expenses decreased by $148,000 in fiscal 2023 over fiscal 2022. The decrease is attributed mainly to fees incurred in fiscal 2022 for the Nasdaq entry fee, consulting fees for social purpose positioning and messaging and also due to lower U.S. consulting fees for fiscal 2023.

LIQUIDITY AND FINANCIAL POSITION

At March 31, 2023, the Company had cash of $1.5 million. Subsequent to March 31, 2023, the Company completed a private placement (see Private Placement section on page 13) for gross proceeds of $3.4 million. Management estimates cash resources to be sufficient to fund operations to March 2024, and to March 2025, if conditions for advance under the second tranche of the Secured Loan are satisfied. The foregoing dates could potentially be extended if the Company receives funding or generates revenues from other sources including, but not limited to, government assistance, pilot plant processing and scale-up validation services. Burcon may require additional capital before these dates to meet its business objectives. There can be no assurance that additional financing will be available on acceptable terms, if at all.

Net cash used in operations during the year ended March 31, 2023 was $6,015,000, as compared to $5,914,000 last year. The increase in net cash used in operations of $101,000 is mainly due to increase of $224,000 in R&D expenses, decrease of $80,000 in management fee income, offset by an increase in royalty income of $25,000 and changes in non-cash working capital items of $272,000.

At March 31, 2023, Burcon had working capital of $1.2 million (March 31, 2022 - $6.6 million). As at March 31, 2023, Burcon was not committed to significant capital expenditures. Burcon may incur up to $275,000 in additional capital expenditures for new R&D projects. Burcon expects to incur $549,000 in patent expenditures for fiscal 2024, which is significantly less than the actual IP expenditures of $946,000 during fiscal 2023. As noted above, Burcon conducted a review of its patent portfolio during this fiscal year with the goal of focusing on the technologies with the greatest potential value. The revised estimated expenditures represent the estimated amounts for the strategic patent portfolios it will continue to maintain.

FINANCIAL INSTRUMENTS

The Company's financial instruments are cash, amounts receivable, accounts payable and accrued liabilities and Secured Loan.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss being incurred by the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, amounts receivable, loans receivable and investment in associates.

The Company's cash may comprise interest-bearing savings instruments with Canadian chartered banks. The Company limits its exposure to credit loss by placing its cash with two Canadian chartered banks.

The carrying amounts of financial assets represent the maximum credit exposure.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of its customers. The Company's credit risk is unfavorable as it faced significant losses following the receivership of its sole customer, resulting in impairment of amounts receivables attributable to Merit Foods and loans to Merit Foods.

The remaining amounts receivable consist of PIC reimbursements, GST receivables, and outstanding ITCs related to SR&ED expenditures. These are government-funded or government-related expenses based on contracts, and do not carry a credit risk.

Expected credit loss on financial assets recognized in statements of operations and comprehensive loss were as follows:

(thousands of Canadian dollars)

	2023	**2022**
Expected credit loss on accounts receivable arising from contracts with customers	178	-
Expected credit losses on loans receivable	4,359	9

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's financial instruments are non-interest bearing except for cash that earn interest at variable market rates and the secured loan at a fixed rate. The Company is not subject to interest rate risk on its secured loan with Large Scale as the loan is on a fixed rate basis. Burcon's cash is held at two Canadian chartered banks to maximize interest and to diversify risk. For the year ended March 31, 2023, the weighted average interest rate earned on the Company's cash was 2.49% per annum (2022 - 0.42% per annum). The impact of a 1% strengthening or weakening of interest rates on the Company's cash at March 31, 2023 is estimated to be a $15,000 increase or decrease in interest income per year.

Liquidity risk

The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by monitoring actual and forecasted cash flows taking into account current and planned operations. Subsequent to March 31, 2023, Burcon completed a private placement for gross proceeds of $3.4 million.

(in thousands of dollars)

March 31, 2023	Carrying amount	Contractual cash flows	1 year	2 years	3-5 years
Accounts payable and accrued liabilities	591	591	591	-	-
Lease liabilities	59	129	98	31	-
Secured loan	5,112	5,155	-	5,155	-
	5,762	5,875	689	5,186	-

The contractual cash flows of Secured Loan include accrued interest expense payable.

March 31, 2022	Carrying amount	Contractual cash flows	1 year	2 years	3-5 years
Accounts payable and accrued liabilities	907	907	907	-	-
Lease liabilities	73	231	101	98	32
	980	1,138	1,008	98	32

Fair value

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

The fair value of the investment in Burcon Holdings is a level 3 fair value and was estimated based on expectation of recoverability of the asset, operations or earnings in the future.

The carrying values and fair values of financial instruments, by class, are as follows as at March 31, 2023 and 2022:

(in thousands of dollars)

As at March 31, 2023

	At fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value
Financial assets				
Cash	-	1,457	-	1,457
Amounts receivable	-	332	-	332
Investment in Burcon Holdings	-	-	-	-
Total	**-**	**1,789**	**-**	**1,789**

Financial liabilities				
Accounts payable and accrued liabilities	-	-	591	591
Secured Loan	-	-	5,112	5,112
Total	**-**	**-**	**5,703**	**5,703**

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	-	7,001	-	7,001
Restricted cash	-	123	-	123
Amounts receivable	-	200	-	200
Loan to Merit Functional Foods Corp.	-	3,228	-	3,311
Total	**-**	**10,552**	**-**	**10,635**

Financial liabilities				
Accounts payable and accrued liabilities	-	-	906	906
Deferred revenue	-	-	123	123
Total	**-**	**-**	**1,029**	**1,029**

Currency risk

The Company has not hedged certain of its liabilities from currency fluctuations. As at March 31, 2023 and March 31, 2022 the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

	March 31, 2023	**March 31, 2022**
U.S. Dollars (in thousands)		
Cash	101	69
Accounts payable and accrued liabilities	(24)	(5)
Net exposure	77	64
Canadian dollar equivalents (in thousands)	104	80

Based on the above net exposure at March 31, 2023, a 10% appreciation or depreciation of the U.S. dollar against the Canadian dollar would have resulted in a decrease/increase of approximately $8,000 (March 31, 2022 - $6,000) in the Company's loss from operations.

OUTSTANDING SHARE DATA

As at March 31, 2023, Burcon had 108,728,742 common shares outstanding, 7,161,803 stock options outstanding exercisable at a weighted average exercise price of $1.88 per share, and 409,181 restricted share units outstanding. As at the date of this MD&A, Burcon has 121,609,571 common shares outstanding, 7,114,338 stock options outstanding exercisable at a weighted average price of $1.88 per share, 12,880,829 share purchase warrants outstanding that are exercisable at $0.35 per share, and 409,181 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			
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Revenue	-	161	112	91
Interest and other income	54	131	131	109
Management fee income	-	19	18	7
Impairment on investment in Merit Foods	-	(7,987)	-	-
Impairment loss on loans to Merit Foods	-	(4,334)	(7)	(18)
Total comprehensive loss for the period	(1,831)	(16,303)	(3,234)	(3,996)
Basic and diluted loss per share	(0.02)	(0.15)	(0.03)	(0.04)

	Three months ended			
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Revenue	77	44	32	18
Interest and other income	123	99	104	108
Management fee income	3	25	25	62
Gain on dilution of investment in Merit Foods	-	961	-	-
Total comprehensive loss for the period	(4,216)	(1,507)	(1,353)	(3,182)
Basic and diluted loss per share	(0.04)	(0.01)	(0.01)	(0.03)

Fiscal 2023 fourth quarter loss decreased by $2.4 million over the same quarter in fiscal 2022. The decrease is due mainly to $1.2 million of share of loss in Merit Foods recorded in fiscal 2022 fourth quarter, as compared to $nil this year. As Merit was placed in receivership on March 1, 2023, no additional financial information was available after December 31, 2022. IP expenses in fiscal 2023 fourth quarter decreased by $489,000 over the same quarter last year. Of the decrease, two-thirds was due to maintenance fees that were deferred this year or from non-core patents that were abandoned. In addition, G&A expenses during fiscal 2023 fourth quarter decreased by $489,000, with two-thirds due to lower stock-based compensation expense. The lower expense is due to options issued to directors during the fourth quarter of fiscal 2022 that vested immediately.

RELATED PARTY TRANSACTIONS

Burcon had the following transactions with Regent Park Realty Inc., a company that is controlled by an entity with a common director (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 year ended March 31, 2023, included in general and administrative expenses (management fees) is $1,145 (2022 - $2,834) for administrative services provided to the Company. At March 31, 2023, $248 (March 31, 2022 - $522) of this amount is included in accounts payable and accrued liabilities. For the year ended March 31, 2023, included in management fee income is $145 (2022 - $3,931) for legal and accounting services provided by the Company.

Burcon had a 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 year ended March 31, 2023, included in management fee income is $44,402 (2022 - $110,504) for services provided and $nil (2022 - $287) for samples sold to Merit Foods, of which $nil was included in amounts receivable at March 31, 2023 (March 31, 2022 - $1,210).

Merit Foods also provided certain technical and consulting services to Burcon. For the year ended March 31, 2023, Burcon recorded professional fee expense of $19,145 (2022 - $9,415).

During the year ended March 31, 2023, Burcon made drawdowns totalling $5.0 million (2022 - $nil) from the first tranche of the Secured Loan. Burcon paid a commitment fee of $50,000 (2022 - $nil) to Large Scale on closing of the first tranche of the Secured Loan and recorded $202,031 (2022 - $nil) of interest expense related to the Secured Loan.

CRITICAL ACCOUNTING ESTIMATES

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

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 notes to the consolidated financial statements. Outlined below are the assumptions and other sources of estimation uncertainty as at March 31, 2023 that have a risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next year.

Areas of judgement

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Going concern

The determination as to the Company's ability to continue as a going concern is dependent on its ability to implement cost-saving measures and/or to secure debt and equity financing. Certain judgements were made when determining if and when the Company will successfully implement its cost-saving measures and to secure debt and equity financing.

Impairment of and write-off of 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 reorganization 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.

Deconsolidation of Burcon Holdings

Judgement is required for the purposes of assessment of loss of control over Burcon Holdings. The facts and circumstances management considered included assessment over power, how relevant activities of Burcon Holdings are directed, linkage of power and return, including the Company's exposure to variability of returns from its involvement in Burcon Holdings.

Determination of Cash-Generating Units ("CGUs")

For the purposes of assessing impairment of goodwill and long-lived assets, the Company must identify CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The composition of a CGU can directly impact the recoverability of non-financial assets included within the CGU. Management has determined that the Company has one CGU.

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

Judgment is required in assessing whether there are indicators of impairment of long-lived assets. The Company tests property and equipment and development costs for impairment whenever events or circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. Management considers both internal and external information to determine whether there is an indicator of impairment and, accordingly, whether impairment testing is required.

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 the estimated useful life of 15 years.

Sources of estimation uncertainty

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit loss

The Company recognizes an amount equal to the lifetime expected credit loss ("ECL") on amounts receivables and loans to Merit Functional Foods Corporation for which there has been a significant increase in credit risk since initial recognition.

Useful lives of property and equipment and deferred development costs

Depreciation of property and equipment and amortization of deferred development costs are dependent upon estimates of useful lives and residual value which are determined through the use of assumptions. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and historic experience. Although management believes the estimated useful lives of the Company's property and equipment and deferred development costs are reasonable, changes in estimates could occur, affecting the expected useful lives and salvage values of the property and equipment and intangible assets.

Goodwill impairment assessment

The Company determines the recoverable amount of its cash generating unit when performing its annual impairment test for goodwill. In determining the recoverable amount, the Company considers its market capitalization in determining the recoverable amount. The estimate of recoverable amount is based on management's best estimates of what an independent market participant would consider appropriate. At March 31, 2023, the recoverable amount of the Burcon cash generating unit exceeded the carrying amount, and therefore no impairment charge has been recognized.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

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.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 require entities to disclose their material accounting policy information. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality. Under the amendments, an entity discloses material accounting policy information. Accounting policy information is 'material' if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is assessing the impact of these amendments on the consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, as well as other executives, have designed disclosure control and procedures ("DC&P"), or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company has been made known to them. The officers have evaluated the effectiveness and design of its DC&P as at March 31, 2023 and have determined these controls to be effective.

These officers are also responsible for designing and maintaining internal controls over financial reporting ("ICFR") or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of the Company's ICFR. They have evaluated and determined these internal controls and procedures over financial reporting as at March 31, 2023 and concluded they are effective.

Changes in Internal Control Over Financial Reporting

During the year ended March 31, 2023, the Company's management implemented a remediation plan to ensure that control deficiencies contributing to the material weakness for the year ended March 31, 2022 were remediated such that controls operate effectively. Specifically, during the year ended March 31, 2023, management increased the level of precision of the design and operation of controls over the share of loss in Merit Foods. The Company considered the implementation of its remediation plan complete as of December 31, 2022.

As at March 31, 2023, the Company has written off its investment in and loan to Merit Foods and, accordingly, management re-evaluated the controls relating to Merit Foods and determined that the controls would not be assessed as part of management's report on internal control over financial reporting as at March 31, 2023.

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 factors 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, 2023 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 267 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, 69 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 completed construction of and commissioned the Flex Production Facility to commercialize Burcon’s pea and canola proteins, it had not begun to generate significant revenues from the sale of the Products. On March 1, 2023, the Receiver was appointed to sell all of the assets, undertakings and properties of Merit Foods. As at the date of this MD&A, the sales process of Merit Foods is ongoing.

Given that Merit Foods' sales process has not been completed, it is uncertain as to whether a purchaser of the assets will continue to produce Burcon’s proteins, Burcon must find alternative pathways to produce Burcon’s pea and canola proteins. It will be some time before product sales of pea and canola protein will be significant, if at all.

The long-term success of Puratein®, Supertein® and Nutratein® canola proteins, CLARISOY® soy protein, Peazazz® and Peazac® pea protein, Nutratein® pea protein/canola protein blend products and Burcon’s new sunflower proteins hinges upon market acceptance by food and feed ingredient manufacturers and suppliers in numerous product applications. There is no assurance that Burcon’s products will meet industry standards, obtain market acceptance and within a reasonable time frame.

Burcon is investigating various paths to bring its soy protein technologies to market. Although Burcon is working on identifying potential partners to commercialize its soy proteins, there can be no assurance that a strategic partner will be found. If Burcon is unable to secure an alternative strategic partner for its soy protein isolates, or find another solution, then the commercialization of its products may be delayed or unsuccessful.

With the exception of its canola and pea proteins that were sold by Merit Foods before its receivership, 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 in development 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 $134.6 million from its date of incorporation through March 31, 2023. Burcon has reported insignificant royalty revenues from Merit Foods. Although Burcon has launched its plant processing and scale-up validation services in May 2023, it is not expected to generate significant revenues for Burcon in the short-term. In the absence of a strategic partner of definitive plans and timeline for the commercialization of its products, Burcon expects its accumulated losses to increase as it continues to commercialize its products, its research and development and its product application trials. Burcon expects to continue to incur substantial losses for the foreseeable future. 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 $120.6 million from the sale or issuance of equity securities and convertible debentures. As at March 31, 2023, Burcon had $1.5 million in cash. Together with the net proceeds raised from the May 2023 private placement, Burcon estimates its cash resources to fund the current level of operations through March 2024, and further to March 2025 if the conditions for advance under the second tranche of the Secured Loan are satisfied. Burcon may need to raise additional capital on acceptable terms in order for the Company to meet its business objectives and fund its operations.

COVID-19 – Pandemic Risk

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments have adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict whether the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business.

OUTLOOK

For fiscal 2024, Burcon's main objectives will be to identify and develop clear routes to market for its products and to further develop its pipeline of plant-based protein technologies to include other novel renewable plant sources. Burcon will focus on both partner development for the commercialization of its sunflower and hemp proteins while evaluating licensing strategies or other alternatives for its soy protein isolate technology. As proven commercial scale offerings, pea and canola protein routes to market will be assessed and identified once the sale of Merit's assets has been completed. Burcon's activities will include:

- identifying and securing a strategic partner(s) with the goal of commercializing its protein technologies including sunflower, hemp, soy, canola and pea 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;

- execute the Winnipeg Technical Centre's contract research program in order to engage the market place and enhance Burcon's leadership position in plant protein technologies;

- explore and identify possible suitable locations for its expansion of the WTC, which is expected to include an expanded footprint with increased commercial processing capacity as well as analytical and functional capabilities;

- continue to refine its protein extraction and purification technologies, develop new technologies and related products;

- 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; and

- 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.