Burcon NutraScience Corporation

Condensed Consolidated Interim Financial Statements

Three and six months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Burcon NutraScience Corporation for the interim period ended September 30, 2023 have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. These unaudited condensed consolidated interim financial statements have not been reviewed by an auditor in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BURCON NUTRASCIENCE CORPORATION
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
As at September 30, 2023 and March 31, 2023

(In Canadian dollars)

	September 30, 2023	**March 31, 2023**
ASSETS		
Current assets		
Cash	2,227,690	1,456,845
Amounts receivable (notes 5 and 6)	174,894	332,118
Prepaid expenses	203,436	75,902
	2,606,020	1,864,865
Property and equipment, net of accumulated depreciation of $4,548,849 (March 31, 2023 - $4,434,598)	911,617	983,924
Deferred development costs, net of accumulated amortization of $737,628 (March 31, 2023 - $526,878)	5,584,899	5,795,650
Goodwill	1,254,930	1,254,930
	10,357,466	9,899,369
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	584,883	590,936
Lease liabilities	46,146	34,431
	631,029	625,367
Secured loan (notes 4 and 11)	5,166,682	5,112,381
Lease liabilities	-	24,310
	5,797,711	5,762,058
SHAREHOLDERS' EQUITY (note 7)		
Capital stock	117,725,612	114,566,577
Contributed surplus	16,871,671	16,763,830
Options	7,498,730	7,279,559
Warrants	228,572	-
Restricted share units	181,178	127,651
Deficit	(137,946,008)	(134,600,306)
	4,559,755	4,137,311
	10,357,466	9,899,369

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

Approved by the Audit Committee of the Board of Directors

"Alfred Lau"	"Peter H. Kappel"
Director	Director

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

BURCON NUTRASCIENCE CORPORATION
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited)
For the three and six months ended September 30, 2023 and 2022
(In Canadian dollars)

	Three months ended September 30		Six months ended September 30	
	2023	**2022**	**2023**	**2022**
REVENUE				
Royalty income (note 6)	184,359	112,169	184,359	202,707
EXPENSES				
Research and development (note 8)	909,422	1,075,999	1,849,863	2,324,279
General and administrative (note 9)	803,157	987,260	1,635,646	1,898,647
	1,712,579	2,063,259	3,485,509	4,222,926
LOSS FROM OPERATIONS	(1,528,220)	(1,951,090)	(3,301,150)	(4,020,219)
Interest and other income (note 4)	220,294	149,511	247,673	265,528
Share of loss in Merit Functional Foods Corporation (note 6)	-	(1,400,506)	-	(3,404,247)
Interest and other expense (note 4)	(149,859)	(36,569)	(280,833)	(77,330)
Foreign exchange (loss) gain	24,166	4,604	(11,392)	6,050
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(1,433,619)	(3,234,050)	(3,445,702)	(7,230,218)
BASIC AND DILUTED LOSS PER SHARE (note 10)	(0.01)	(0.03)	(0.03)	(0.07)

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

BURCON NUTRASCIENCE CORPORATION

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

For the six months ended September 30, 2023 and 2022

(In Canadian dollars)

	Number of fully paid common shares	Capital stock $	Contributed surplus $	Options $	Warrants $	Restricted share units $	Deficit $	Total shareholders' equity $
Balance - March 31, 2022	108,728,742	114,566,577	15,863,592	7,041,049	-	12,078	(109,236,056)	28,247,240
Loss and comprehensive loss for the period	-	-	-	-	-	-	(7,230,218)	(7,230,218)
Options forfeited	-	-	11,484	(11,484)	-	-	-	-
Stock-based compensation expense	-	-	-	502,193	-	46,121	-	548,314
Balance – September 30, 2022	108,728,742	114,566,577	15,875,076	7,531,758	-	58,199	(116,466,274)	21,565,336
Balance, March 31, 2023	108,728,742	114,566,577	16,763,830	7,279,559	-	127,651	(134,600,306)	4,137,311
Loss and comprehensive loss for the period	-	-	-	-	-	-	(3,345,702)	(3,345,702)
Private placement	12,880,829	3,181,093	-	-	232,327	-	-	3,413,420
Issue costs	-	(51,428)	-	-	(3,755)	-	-	(55,183)
Restricted share units redeemed	61,900	29,370	-	-	-	(27,025)	-	2,345
Options forfeited	-	-	107,841	(107,841)	-	-	-	-
Stock-based compensation expense	-	-	-	327,012	-	80,552	-	407,564
Balance – September 30, 2023	121,671,471	117,725,612	16,871,671	7,498,730	228,572	181,178	(137,946,008)	4,559,755

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

BURCON NUTRASCIENCE CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
For the six months ended September 30, 2023 and 2022

(In Canadian dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(3,345,702)	(7,230,218)
Items not affecting cash		
Depreciation of property and equipment	114,251	103,117
Amortization of deferred development costs	210,751	210,751
Unrealized foreign exchange loss (gain)	1,047	(8,405)
Interest accretion	-	(215,268)
Interest expense on secured loan	245,427	7,452
Interest and other expense	35,406	69,878
Share in loss of Merit Functional Foods Corporation	-	3,404,247
Stock-based compensation expense	407,564	548,314
	(2,331,256)	(3,110,132)
Changes in non-cash working capital items		
Amounts receivable	157,224	(145,449)
Prepaid expenses	(127,534)	(128,367)
Accounts payable and accrued liabilities	(10,715)	(297,640)
Deferred revenue	-	(68,440)
	(2,312,281)	(3,750,028)
Interest income	(247,139)	(10,993)
Interest expense paid on lease liabilities	(35,406)	(44,878)
Net cash used in operating activities	(2,594,826)	(3,805,899)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan advances to Merit Functional Foods Corporation	-	(4,107,425)
Interest received	56,013	10,993
Acquisition of property and equipment	(45,216)	(53,102)
	10,797	(4,149,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of capital stock and warrants	3,413,420	-
Issue costs	(44,905)	-
Loan proceeds	-	2,000,000
Change in restricted cash	-	47,334
Reduction of lease liabilities	(12,594)	(5,488)
	3,355,921	2,041,846
FOREIGN EXCHANGE (LOSS) GAIN ON CASH	(1,047)	8,405
INCREASE (DECREASE) IN CASH	770,845	(5,905,182)
CASH – BEGINNING OF PERIOD	1,456,845	7,000,824
CASH – END OF PERIOD	2,227,690	1,095,642

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

1. Going Concern

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that Burcon NutraScience Corporation ("Burcon" or 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 September 30, 2023, the Company has not earned significant revenues from its technology licensing and, had an accumulated deficit of $138.0 million (March 31, 2023 - $134.6 million). During the six months ended September 30, 2023, the Company incurred a net loss of $3.4 million (2022 - $7.2 million) and had negative cash flow from operations of $2.6 million (2022 - $3.8 million). Further, the investment in and loans provided to Merit Functional Foods Corporation ("Merit Foods") was written off as at March 31, 2023 as a result of Merit Foods being placed in receivership on March 1, 2023. During the six months ended September 30, 2023, the Company completed a private placement for net proceeds of $3.4 million (note 7(a)).

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.

These condensed consolidated interim 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 condensed consolidated interim 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.

2. Nature of operations

Burcon is headquartered in Vancouver, British Columbia, Canada.

Burcon is a research and development company that has developed plant protein extraction and purification technology in the field of functional, renewable plant proteins. The Company has a portfolio of composition, application and process patents covering novel plant-based proteins derived from pea, canola, soy, hemp, sunflower seed and more.

3. Significant accounting policies

Basis of presentation

These condensed consolidated interim financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, on a basis consistent with those accounting policies followed in the most recent annual consolidated financial statements. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and, as such, should be read in conjunction with the Company's consolidated annual financial statements for the year ended March 31, 2023.

The condensed consolidated interim financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on November 9, 2023.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary. All material intercompany transactions and balances have been eliminated on consolidation.

A subsidiary is an entity in which the Company has control, directly or indirectly. Under IFRS 10, an investor controls an investee if and only if the investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements on the date on which control commences until the date on which control ceases. When control over a subsidiary is lost, the assets and liabilities of the subsidiary are derecognized. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Details of the Company's subsidiaries at September 30, 2023 are as follows:

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

On March 1, 2023, the Company derecognized the assets and liabilities of Burcon NutraScience Holdings Corp. ("Burcon Holdings") (see note 6).

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 does not expect the new standard will have a significant impact on the consolidated financial statements.

4. 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 is 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 had an initial maturity date of July 1, 2024. On August 2, 2023, Burcon and Large Scale entered into a letter agreement to amend the first tranche maturity date to July 1, 2025. As the debt modification was not considered to be substantial, the revised carrying amount of the loan has been recalculated by discounting the revised estimated future cash flows at the original effective interest rate of 9.12%. As a result, a gain on debt modification of $191,125 and $191,125 have been recorded in interest and other income for the three and six months ended September 30, 2023 (2022 - $nil and $nil).

If certain conditions of the second tranche are met, it will have a maturity date that is 24 months from the closing date of such tranche (in each case, the "Maturity Date"). In June 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.

The drawn portion of the Loan Amount bears interest at 8% per annum payable on the Maturity Date of each tranche together with the principal amount, and is secured by all assets of Burcon. Burcon is to pay a commitment fee of 1% of 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 six months ended September 30, 2023, Burcon paid Large Scale a commitment fee ("Commitment Fee") of $nil and $nil, respectively, (2022 - $nil and $50,000) on closing of the first tranche of the Secured Loan.

The principal amount outstanding from the first tranche of the Secured Loan as at September 30, 2023 is $5.0 million (March 31, 2023 - $5.0 million).

Total issue costs of $89,650 related to the Secured Loan, including the Commitment Fee, were netted against the Loan Amount and initially accreted over the period to the original maturity date of July 1, 2024. From August 2, 2023 when the Secured Loan maturity date was amended to July 1, 2025, the issue costs were adjusted to be accreted over the new maturity date. During the three and six months ended September 30, 2023, the Company recorded interest expense of $133,195 and $245,427, respectively (2022 - $7,452 and $7,452) at an effective interest rate of 9.12% per annum.

5. Protein Industries Canada

In March 2022, Burcon entered into a collaborative agreement with Protein Industries Canada ("PIC") for the development of 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 significantly boost Canada's job market, GDP, research and innovations. Burcon partnered with Pristine Gourmet, a processor of Canadian non-GMO cold pressed virgin oils, to further develop Burcon's novel process for the production of sunflower protein ingredients. The project completed on March 31, 2023.

During the three and six months ended September 30, 2023, Burcon recorded PIC grants of $nil and $nil, respectively, (2022 - $35,220 and $68,440)) as government assistance against research and development expenses (note 8), of which $nil is included in amounts receivable (March 31, 2023 - $169,648).

6. Investment in and loan to Merit Functional Foods Corporation

Burcon has a 100% interest in Burcon NutraScience Holdings Corporation ("Burcon Holdings"), which was incorporated in 2019 to hold Burcon's interest in Merit Functional Foods Corporation ("Merit Foods"). Burcon Holdings' current ownership interest in Merit Foods is 31.6%.

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

(In Canadian dollars)

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 received running royalties on the net revenue (as defined in the Amended License Agreement) from the sales of the Products by Merit Foods.

On March 1, 2023, a court order (the "Order') was granted under the Business and Insolvency Act to appoint a receiver (the "Receiver") of all of the assets, undertakings and properties of Merit Foods. Pursuant to the Order, the Receiver was authorized to sell all of the assets, undertakings and properties of Merit Foods (the "Property"), including protein products that were produced under the Amended License Agreement, and set out a sales process for the Property. During the three and six months ended September 30, 2023, Burcon recorded royalty revenue of $184,359 and $184,359, respectively, from the Receiver's sales of the Products (2022 - $112,169 and $202,707 from Merit Foods' sales of the Products). As at September 30, 2023, $100,000 was included in amounts receivable (March 31, 2023 - $100,000).

There have been no changes to the information provided in Burcon's consolidated financial statements for the year ended March 31, 2023 in respect of the investment in and loan to Merit Foods, nor further update on the sales process of the Property, except for the sale of the Products.

Summary financial results for Merit Foods

	Three months ended September 30		**Six months ended September 30**	
	2023	**2022**	**2023**	**2022**
Total revenue	N/A	2,376,988	N/A	4,704,932
Loss and comprehensive loss for the period	N/A	(4,431,982)	N/A	(10,772,934)

(N/A – not available)

7. Shareholders' equity

a) Capital stock

Authorized
Unlimited number of common shares without par value.

Holders of common shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meeting of the Company.

Private placement

The Company completed a private placement of 12,880,829 units (the "Units") in tranches from May 8, 2023 to May 16, 2023 at a price of $0.265 per Unit for aggregate gross proceeds to the Company of $3,413,420 and net proceeds of $3,358,237, after total issue costs of $55,183.

(In Canadian dollars)

Each Unit consisted of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant is exercisable to acquire one common share (a "Warrant Share") at an exercise price of $0.35 per Warrant Share for a period of 36 months after the applicable closing date of each tranche. As at September 30, 2023, 12,880,829 Warrants were outstanding.

Gross proceeds of the private placement have been recorded at $3,181,093 and $232,327 to capital stock and warrants, respectively.

b) Contributed surplus

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

c) Options

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

At September 30, 2023, 7,576,605 (March 31, 2023 – 7,161,803) options to purchase common stock are outstanding from the stock option plan. These options, when vested under the terms of the plan, are exercisable at prices ranging between $0.19 and $4.89 per common share. An additional 4,590,542 (March 31, 2023 – 3,711,071) options may be granted in future years under this plan. Unless otherwise determined by the board of directors, the options have a term of up to 10 years from the date of grant. The vesting terms are determined at the discretion of the board of directors at the time of grant. All grants are recognized using graded vesting, with each vesting tranche being valued separately, and the fair value of each tranche recognized over its respective vesting period.

	Six months ended September, 30, 2023		**Year ended March 31, 2023**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding - Beginning of period	7,161,803	1.88	5,324,481	2.36
Granted	500,000	0.39	2,320,000	1.02
Forfeited / cancelled	(85,198)	2.21	(266,178)	2.11
Expired	-	-	(216,500)	4.16
Outstanding - End of period	7,576,605	1.78	7,161,803	1.88

(In Canadian dollars)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2023:

	Options outstanding			Options exercisable	
Range of exercise prices $	**Number outstanding at Sep. 30, 2023**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price** $	**Number exercisable at Sep.30, 2023**	**Weighted average exercise price** $
0.19 - 0.70	2,473,334	5.95	0.39	1,065,334	0.38
1.00 - 3.00	4,079,271	4.99	2.04	2,780,595	2.16
4.01 - 4.89	1,024,000	4.46	4.08	787,654	4.07
	7,576,605	5.24	1.78	4,633,583	2.08

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

	Six months ended September 30, 2023	**Year ended March 31, 2023**
Dividend yield	0.0%	0.0%
Expected volatility	88.2%	85.5%
Risk-free interest rate	3.8%	3.6%
Expected forfeitures	6.3%	6.8%
Expected average option term (years)	5.4	5.8

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

The weighted average fair value of the options granted during the six months ended September 30, 2023 was $0.12 per option (year ended March 31, 2023 - $0.25 per option).

For the three and six months ended September 30, 2023, included in research and development expenses (salaries and benefits) is $71,015 and $150,261, respectively, (2022 - $175,839 and $346,107) (note 8) of stock-based compensation. Included in general and administrative expenses (salaries and benefits and professional fees) is $86,798 and $176,751, respectively, (2022 - $102,526 and $202,207) (note 9) of stock-based compensation.

d) Restricted Share Unit ("RSU") Plan

The Company has an RSU plan in which all directors, officers, employees and consultants of the

(In Canadian dollars)

Company and its subsidiaries are eligible to participate. Each RSU is intended to be 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 is recognized using graded vesting, with each vesting tranche being valued separately, and the fair value of each tranche recognized over its respective vesting period.

(number of RSUs)	**Six months ended September 30, 2023**	**Year ended March 31, 2023**
Outstanding – beginning of period	409,181	118,000
Granted	-	307,181
Redeemed	(60,056)	(1,844)
Forfeited / cancelled	-	(14,156)
Outstanding – end of period	349,125	409,181

RSUs are measured at fair value based on the closing price of our common shares for the day preceding the date of the grant. No RSUs were granted during the six months ended September 30, 2023. The weighted average fair value of RSUs granted during the year ended March 31, 2023 was $0.43 per RSU.

For the three and six months ended September 30, 2023, included in research and development expenses is $25,008 and $62,302, respectively, (2022 - $nil and $nil) (note 8) and included in general and administrative expenses (salaries and benefits and professional fees) is $8,044 and 77$18,250 (2022 - $nil and $nil) (note 9) of RSU stock-based compensation.

(In Canadian dollars)

8. Research and development

	Three months ended September 30		Six months ended September 30	
	2023	**2022**	**2023**	**2022**
Salaries and benefits	461,577	578,431	964,338	1,150,095
Intellectual property	141,326	231,402	304,641	623,379
Amortization of deferred development costs	105,375	105,375	210,751	210,751
Laboratory operation	98,545	92,800	176,294	187,421
Depreciation of property and equipment	50,783	45,289	99,103	87,786
Rent	29,155	45,644	58,021	91,461
Analyses and testing	22,661	12,010	36,715	41,559
Gross research and development expenses	909,422	1,110,951	1,849,863	2,392,452
PIC grant	-	(34,952)	-	(68,173)
Net research and development expenses	909,422	1,075,999	1,849,863	2,324,279

For the three and six months ended September 30, 2023, research and development expenses have been reduced by PIC funding of $nil and $nil, respectively, (note 6) (2022 - $34,952 and $68,173).

9. General and administrative

	Three months ended September 30		Six months ended September 30	
	2023	**2022**	**2023**	**2022**
Salaries and benefits	427,855	539,368	964,563	1,038,726
Professional fees	194,061	122,290	360,427	270,127
Office supplies and services	57,433	95,924	118,983	186,858
Travel and meals	54,795	32,645	81,931	62,319
Investor relations	56,399	161,186	70,120	255,540
Transfer agent and filing fees	3,457	7,012	21,299	44,847
Other	9,157	11,874	18,323	23,269
Financing expense	-	16,961	-	16,961
	803,157	987,260	1,635,646	1,898,647

(In Canadian dollars)

10. Basic and diluted loss per share

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

	Three months ended September 30		Six months ended September 30	
	2023 **$**	**2022** **$**	**2023** **$**	**2022** **$**
Loss for the period, being loss attributable to common shareholders - basic and diluted	(1,433,619)	(3,234,050)	(3,345,702)	(7,320,218)
	Shares	**Shares**	**Shares**	**Shares**
Weighted average common shares - basic and diluted	121,669,869	108,728,742	118,846,730	108,728,742
	$	**$**	**$**	**$**
Basic and diluted loss per share	(0.01)	(0.03)	(0.03)	(0.07)

For the three and six months ended September 30, 2023 and 2022, the Company excluded all potential common share equivalents from the diluted loss per share calculation as they were anti-dilutive.

11. Related party transactions

Burcon had a services agreement (the “Services Agreement”) with Merit Foods to provide certain services, including technical, research and analytical services based on rates set out in the Services Agreement. For the three and six months ended September 30, 2023, included in interest and other income is $nil and $nil, respectively (2022 - $18,490 and $24,985) for services provided by Burcon to Merit Foods.

Merit Foods also provided certain consulting services to Burcon. For the three and six months ended September 30, 2023, included in professional fees is $nil and $nil, respectively (2022 - $nil and $19,145) for services provided by Merit Foods to Burcon.

In June 2022, Burcon entered into a loan agreement with Large Scale for a secured loan of up to $10 million that would be made available to Burcon in two tranches of $5 million. During the three and six months ended September 30, 2023, Burcon paid a commitment fee of $nil and $nil, respectively, (2022 - $nil and $50,000) to Large Scale on closing of the first tranche of the Secured Loan. During the three and six months ended September 30, 2023, Burcon recorded $133,195 and $245,427, respectively, (2022 - $7,452 and $7,452) of interest expense related to the Secured Loan. In addition, a gain on debt modification of $191,125 and $191,125 have been recorded in interest and other income for the three and six months ended September 30, 2023 (2022 - $nil and $nil) (note 4).

(In Canadian dollars)

12. Key management compensation

Key management includes the Company's CEO and CFO. Remuneration of directors and key management personnel comprises:

	Six months ended September 30	
	2023	**2022**
Short-term benefits	441,401	380,725
Option-based awards	104,415	57,146
	545,816	437,871

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

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

13. Financial instruments

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 and amounts receivable.

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 unfavourable as it faced significant losses following its sole customer being placed in receivership, resulting in impairment of amounts receivable attributable to Merit Foods and loans to Merit Foods.

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

(In Canadian dollars)

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 earns 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 three and six months ended September 30, 2023, the weighted average interest rate earned on the Company's cash was 4.5% and 4.3% per annum, respectively, (2022 – 2.2% and 1.8% per annum). The impact of a 1% strengthening or weakening of interest rates on the Company's cash at September 30, 2023 is estimated to be a $22,000 increase or decrease in interest income per year (March 31, 2023 - $15,000).

Liquidity risk

The Company manages liquidity risk through the management of its capital structure (note 14). It also manages liquidity risk by monitoring actual and forecasted cash flows taking into account current and planned operations. During the six months ended September 30, 2023, the Company completed a private placement for net proceeds of $3,358,237.

September 30, 2023	Carrying amount	Contractual cash flows	1 year	2 years	3-5 years
Accounts payable and accrued liabilities	584,883	584,883	584,883	-	-
Lease liabilities	49,717	83,806	83,806	-	-
Secured loan	5,166,682	5,355,068	-	5,355,068	
	5,801,282	6,023,757	668,689	5,355,068	-

March 31, 2023	Carrying amount	Contractual cash flows	1 year	2 years	3-5 years
Accounts payable and accrued liabilities	590,936	590,936	590,936	-	-
Lease liabilities	58,741	129,469	97,881	31,588	-
Secured loan	5,112,381	5,154,959	-	5,154,959	-
	5,762,058	5,875,364	688,817	5,186,547	-

(In Canadian dollars)

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 approximate 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 September 30, 2023 and March 31, 2023:

September 30, 2023

	At fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value
Financial assets				
Cash	-	2,227,690	-	2,227,690
Amounts receivable	-	174,894	-	174,894
Total	**-**	**2,402,584**	**-**	**2,402,584**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	584,883	584,883
Secured loan	-	-	5,166,682	5,166,682
Total	**-**	**-**	**5,751,565**	**5,751,565**

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	-	1,456,845	-	1,456,845
Amounts receivable	-	332,118	-	332,118
Investment in Burcon Holdings (note 6)	-	-	-	-
Total	**-**	**1,788,963**	**-**	**1,788,963**

Financial liabilities				
Accounts payable and accrued liabilities	-	-	590,936	590,936
Secured loan	-	-	5,112,381	5,112,381
Total	**-**	**-**	5,703,317	5,703,317

Currency risk

The Company has not hedged its exposure to currency fluctuations. As at September 30, 2023 and March 31, 2023, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

	September 30, 2023	March 31, 2023
U.S. Dollars		
Cash and cash equivalents	805,699	101,127
Accounts payable and accrued liabilities	(51,914)	(24,402)
Net exposure	753,785	76,725
Canadian dollar equivalent	1,019,118	103,833

Based on the above net exposure at September 30, 2023, a 10% appreciation or depreciation of the U.S. dollar against the Canadian dollar would have resulted in an increase/decrease of approximately $75,000 (March 31, 2023 - $8,000) in the Company's loss from operations.

14. Capital disclosures

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

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the six months ended September 30, 2023.

15. 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. For the three and six months ended September 30, 2023 and 2022, all revenues were generated in Canada.

16. Subsequent event

Subsequent to September 30, 2023, 1,696,000 options were granted at an exercise price of $0.125, and 112,000 RSUs were granted at a fair value of $0.125.