Burcon NutraScience Corporation

Condensed Consolidated Interim Financial Statements

Three and nine months ended December 31, 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 December 31, 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 December 31, 2023 and March 31, 2023

(In Canadian dollars)

	December 31, 2023	March 31, 2023
ASSETS		
Current assets		
Cash	675,378	1,456,845
Amounts receivable (notes 5 and 6)	130,715	332,118
Prepaid expenses	281,191	75,902
	1,087,284	1,864,865
Property and equipment, net of accumulated depreciation of $4,599,736 (March 31, 2023 - $4,434,598)	918,445	983,924
Deferred development costs, net of accumulated amortization of $843,003 (March 31, 2023 - $526,878)	5,479,525	5,795,650
Goodwill	1,254,930	1,254,930
	8,740,184	9,899,369
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	629,620	590,936
Lease liabilities	36,924	34,431
	666,544	625,367
Secured loan (notes 4 and 11)	5,286,409	5,112,381
Lease liabilities	-	24,310
	5,952,953	5,762,058
SHAREHOLDERS' EQUITY (note 7)		
Capital stock	117,752,639	114,566,577
Contributed surplus	17,283,934	16,763,830
Options	7,315,141	7,279,559
Warrants	228,572	-
Restricted share units	184,144	127,651
Deficit	(139,977,199)	(134,600,306)
	2,787,231	4,137,311
	8,740,184	9,899,369

Going concern (note 1)
Commitments (note 16)
Subsequent event (note 17)

Approved by the Audit Committee of the Board of Directors

"Peter H. Kappel" ________________ Director

"Alfred Lau" ________________ 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 nine months ended December 31, 2023 and 2022

(In Canadian dollars)

	Three months ended December 31		Nine months ended December 31	
	2023	**2022**	**2023**	**2022**
REVENUE				
Royalty income (note 6)	-	161,206	184,359	363,913
EXPENSES				
Research and development (note 8)	1,020,424	1,002,231	2,870,287	3,326,507
General and administrative (note 9)	877,140	941,690	2,512,785	2,840,338
	1,897,564	1,943,921	5,383,072	6,166,845
LOSS FROM OPERATIONS	(1,897,564)	(1,782,715)	(5,198,713)	(5,802,932)
Interest and other income (notes 4 and 6)	13,815	150,603	261,487	416,131
Interest and other expense (notes 4 and 6)	(134,011)	(252,081)	(414,843)	(304,412)
Foreign exchange (loss) gain	(13,432)	(2,461)	(24,824)	3,588
Share of loss in Merit Functional Foods Corporation (note 6)	-	(2,095,659)	-	(5,499,906)
Impairment on investment in Merit Functional Foods Corporation (note 6)	-	(7,987,303)	-	(7,987,303)
Impairment on loan to Merit Functional Foods Corporation (note 6)	-	(4,333,630)	-	(4,358,630)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(2,031,192)	(16,303,246)	(5,376,893)	(23,533,464)
BASIC AND DILUTED LOSS PER SHARE (note 10)	(0.02)	(0.15)	(0.04)	(0.22)

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 nine months ended December 31, 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	-	-	-	-	-	-	(23,533,464)	(23,533,464)
Options forfeited	-	-	324,590	(324,590)	-	-	-	-
Options expired	-	-	575,648	(575,648)	-	-	-	-
Stock-based compensation expense	-	-	-	917,164	-	74,131	-	991,295
Balance – December 31, 2022	108,728,742	114,566,577	16,763,830	7,057,975	-	86,209	(132,769,520)	5,705,071
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	-	-	-	-	-	-	(5,376,893)	(5,376,893)
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	121,959	56,397	-	-	-	(54,052)	-	2,345
Options forfeited	-	-	107,841	(107,841)	-	-	-	-
Options expired	-	-	412,263	(412,263)	-	-	-	-
Stock-based compensation expense	-	-	-	555,686	-	110,545	-	666,231
Balance – December 31, 2023	121,731,530	117,752,639	17,283,934	7,315,141	228,572	184,144	(139,977,199)	2,787,231

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 nine months ended December 31, 2023 and 2022

(In Canadian dollars)

	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(5,376,893)	(23,533,464)
Items not affecting cash		
Depreciation of property and equipment	165,138	164,568
Amortization of deferred development costs	316,125	316,127
Unrealized foreign exchange loss (gain)	23,688	(8,343)
Interest accretion	-	(335,641)
Interest expense on secured loan	365,153	70,575
Interest and other expense	49,690	233,837
Share in loss of Merit Functional Foods Corporation	-	5,499,906
Impairment on investment in Merit Functional Foods Corporation	-	7,987,303
Impairment on loan to Merit Functional Foods Corporation	-	4,358,630
Stock-based compensation expense	666,231	991,295
	(3,790,868)	(4,255,207)
Changes in non-cash working capital items		
Amounts receivable	201,403	(357,519)
Prepaid expenses	(191,948)	68,439
Accounts payable and accrued liabilities	19,516	(352,472)
Deferred revenue	-	(122,707)
	(3,761,897)	(5,019,466)
Interest and other income	(261,285)	(21,807)
Interest expense paid on lease liabilities	(49,689)	(66,145)
Net cash used in operating activities	(4,072,871)	(5,107,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan advances to Merit Functional Foods Corporation	-	(4,107,425)
Interest received	70,155	21,807
Acquisition of property and equipment	(101,761)	(320,482)
	(31,606)	(4,406,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of capital stock and warrants	3,413,420	-
Issue costs	(44,905)	-
Loan proceeds	-	4,000,000
Change in restricted cash	-	122,707
Reduction of lease liabilities	(21,817)	(9,404)
	3,346,698	4,113,303
FOREIGN EXCHANGE (LOSS) GAIN ON CASH	(23,688)	8,343
DECREASE IN CASH	(781,467)	(5,391,872)
CASH – BEGINNING OF PERIOD	1,456,845	7,000,824
CASH – END OF PERIOD	675,378	1,608,952

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 December 31, 2023, the Company has not earned significant revenues from its technology licensing and, had an accumulated deficit of $140.0 million (March 31, 2023 - $134.6 million). During the nine months ended December 31, 2023, the Company incurred a net loss of $5.4 million (2022 - $23.5 million) and had negative cash flow from operations of $4.1 million (2022 - $5.1 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 nine months ended December 31, 2023, the Company completed a private placement for net proceeds of $3.4 million (note 7(a)) and met conditions for the second tranche of the Secured Loan (note 4). Subsequent to December 31, 2023, the Company made a drawdown of $1.0 million from its Secured Loan.

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.

(In Canadian dollars)

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 February 13, 2024.

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 December 31, 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 $nil and $191,125 has been recorded in interest and other income for the three and nine months ended December 31, 2023 (2022 - $nil and $nil). As at December 31, 2023, principal amount of $5.0 million was outstanding from the first tranche of the Secured Loan (March 31, 2023 - $5.0 million)

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 Company has met these conditions and the second tranche closed on December 17, 2023, with a maturity date of December 17, 2025. As at December 31, 2023, principal amount of $nil was outstanding from the second tranche of the

Secured Loan (March 31, 2023 - $nil). Subsequent to December 31, 2023, the Company made a drawdown of $1.0 million from the second tranche of the Secured Loan.

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. As at December 31, 2023, accrued interest of $455,890 was outstanding on the Secured Loan (March 31, 2023 - $154,959).

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 nine months ended December 31, 2023, Burcon was charged a commitment fee of $50,000 and $50,000 on closing of the second tranche of the Secured Loan (2022 - $nil and $50,000 on the closing of the first tranche of the Secured Loan). As at December 31, 2023, $50,000 of the commitment fee was outstanding (March 31, 2023 - $nil).

Total issue costs of $89,650 related to the first tranche of 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 nine months ended December 31, 2023, the Company recorded interest expense of $119,727 and $365,153, respectively (2022 - $63,123 and $70,575) 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. The project completed on March 31, 2023.

During the three and nine months ended December 31, 2023, the Company recorded PIC grants of $nil and $nil, respectively, (2022 – $217,689 and $285,862) against research and development expenses (note 8), of which $nil has been included in amounts receivable (March 31, 2023 - $163,155).

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 and restated license and production agreement (the "Amended License Agreement'), Merit Foods has the exclusive rights over Burcon's pulse proteins (including pea) and canola protein technologies across all geographic regions and all product uses. Burcon received running royalties on the net revenue (as defined in the Amended License Agreement) from the sales of the Products by Merit Foods.

Burcon Holdings had made loan advances to Merit Foods in the aggregate of $17.1 million, which were non-interest bearing, unsecured, subordinated to Merit Foods' other secured and unsecured debts, and had a term of 15 years. Notional interest was accruing on the loan receivable at 11% per annum, which was considered to be the market rate of interest. For the three and nine months ended December 31, 2023, Burcon recorded interest accretion of $nil and $nil, respectively (2022 - $120,374 and $335,641).

Merit Foods had incurred cumulative operating losses and negative operating cash flows that had adversely impacted its financial situation and liquidity position. Due to Merit Foods' ongoing liquidity requirements and uncertainty regarding its cash flows to support these requirements and inability to secure funding from a new investor, the credit risk of Merit Foods had increased significantly since initial recognition to December 31, 2022 and the loan to Merit Foods was considered to be credit-impaired. As a result, the Company recorded an impairment loss provision of $nil and $nil, respectively, for the three and nine months ended December 31, 2023 in the condensed consolidated interim statement of operations and comprehensive loss (2022 - $4,333,630 and $4,358,630).

During the three and nine months ended December 31, 2023, Burcon recorded an impairment loss of $nil and $nil, respectively (2022 - $7,987,303 and $7,987,303) on the investment to Merit Foods for the three and nine months ended December 31, 2023 in the condensed consolidated interim statement of operations and comprehensive loss.

During the three and nine months ended December 31, 2023, Burcon recorded royalty revenues of $nil and $nil, respectively (2022 - $161,206 and $363,913) from Merit Foods' sales of Products. During the three and nine months ended December 31, 2023, Burcon recorded a loss allowance for royalty receivable from Merit Foods of $nil and $nil, respectively, for the three and nine months ended December 31, 2023 in interest and other expense in the condensed consolidated interim statement of operations and comprehensive loss (2022 - $167,692 and $167,692). As at December 31, 2023, $100,000 was included in amounts receivable (March 31, 2023 - $100,000). There have been no changes to the impairment losses recorded on royalty receivable and investment in and loan to 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 nine months ended December 31, 2023, Burcon recorded royalty revenue of $nil and $184,359, respectively, from the Receiver's sales of the Products (2022 - $nil and $nil).

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 Receiver's sale of the Products.

(In Canadian dollars)

Summary financial results for Merit Foods

	Three months ended December 31		Nine months ended December 31	
	2023	**2022**	**2023**	**2022**
Total revenue	N/A	3,013,787	N/A	7,718,720
Loss and comprehensive loss for the period	N/A	(6,631,832)	N/A	(17,404,766)

(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.

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 December 31, 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.

(In Canadian dollars)

c) Options

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

At December 31, 2023, 8,984,931 (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 $0.125 and $4.89 per common share. An additional 3,188,222 (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.

	Nine months ended December 31, 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	2,196,000	0.19	2,320,000	1.02
Forfeited / cancelled	(85,198)	2.21	(266,178)	2.11
Expired	(287,674)	2.48	(216,500)	4.16
Outstanding - End of period	8,984,931	1.44	7,161,803	1.88

The following table summarizes information about stock options outstanding and exercisable at December 31, 2023:

	Options outstanding			Options exercisable	
Range of exercise prices $	**Number outstanding at Dec. 31, 2023**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number exercisable at Dec. 31, 2023**	**Weighted average exercise price $**
0.125 - 0.70	4,169,334	6.06	0.28	1,997,991	0.30
1.00 - 3.00	3,791,597	5.18	2.00	2,492,921	2.12
4.01 - 4.89	1,024,000	4.28	4.08	787,654	4.07
	8,984,931	5.49	1.44	5,278,566	1.72

(In Canadian dollars)

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

	Nine months ended December 31, 2023	**Year ended March 31, 2023**
Dividend yield	0%	0%
Expected volatility	86.2%	85.5%
Risk-free interest rate	3.9%	3.6%
Expected forfeitures	6.1%	6.8%
Expected average option term (years)	5.5	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 nine months ended December 31, 2023 was $0.10 per option (year ended March 31, 2023 - $0.25 per option).

For the three and nine months ended December 31, 2023, included in research and development expenses (salaries and benefits) are $80,185 and $230,446, respectively, (2022 - $172,672 and $486,729) (note 8) of stock-based compensation. Included in general and administrative expenses (salaries and benefits and professional fees) are $148,489 and $325,240, respectively, (2022 - $242,299 and $430,435) (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 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.

(In Canadian dollars)

(number of RSUs)	Nine months ended December 31, 2023	Year ended March 31, 2023
Outstanding – beginning of period	409,181	118,000
Granted	112,000	307,181
Redeemed	(120,115)	(1,844)
Forfeited / cancelled	-	(14,156)
Outstanding – end of period	401,066	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. The weighted average fair value of RSUs granted during the nine months ended December 31, 2023 was $0.125 per RSU (year ended March 31, 2023 - $0.43 per RSU).

For the three and nine months ended December 31, 2023, included in research and development expenses are $22,621 and $84,924, respectively, (2022 - $19,455 and $51,505) (note 8) and included in general and administrative expenses (salaries and benefits and professional fees) are $7,372 and $25,621 (2022 - $8,555 and $22,626) (note 9) of RSU stock-based compensation.

8. Research and development

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Salaries and benefits	498,155	592,763	1,462,494	1,742,859
Intellectual property	173,625	249,057	478,266	872,436
Laboratory operation	141,180	133,394	317,475	320,812
Amortization of deferred development costs	105,376	105,375	316,125	316,127
Depreciation of property and equipment	43,629	53,844	142,732	141,629
Rent	29,732	46,405	87,753	137,866
Analyses and testing	28,727	39,082	65,442	80,640
Gross research and development expenses	1,020,424	1,219,920	2,870,287	3,612,369
PIC grant	-	(217,689)	-	(285,862)
Net research and development expenses	1,020,424	1,002,231	2,870,287	3,326,507

9. General and administrative

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Salaries and benefits	564,643	660,821	1,529,207	1,699,547
Professional fee	211,824	41,309	572,251	311,435
Office supplies and services	48,563	116,130	168,308	308,464

(In Canadian dollars)

Travel and meals	27,009	14,750	108,940	77,068
Investor relations	12,059	80,385	82,179	335,926
Other	9,520	8,639	27,079	26,433
Transfer agent and filing fees	3,522	1,010	24,821	45,857
Financing expense	-	18,647	-	35,608
	877,140	941,691	2,512,785	2,840,338

10. Basic and diluted loss per share

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

	Three months ended December 31		**Nine months ended December 31**	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Loss for the period, being loss attributable to common shareholders - basic and diluted	(2,031,192)	(16,303,246)	(5,376,893)	(23,533,464)
	Shares	**Shares**	**Shares**	**Shares**
Weighted average common shares - basic and diluted	121,692,361	108,728,742	119,798,723	108,728,742
	$	**$**	**$**	**$**
Basic and diluted loss per share	(0.02)	(0.15)	(0.04)	(0.22)

For the three and nine months ended December 31, 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 nine months ended December 31, 2023, included in interest and other income are $nil and $nil, respectively (2022 - $19,416 and $44,401) for services provided by Burcon to Merit Foods.

Merit Foods also provided certain consulting services to Burcon. For the three and nine months ended December 31, 2023, included in professional fees are $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 nine months ended December 31, 2023, Burcon was charged a commitment fee of $50,000 and $50,000, respectively, by Large Scale on closing of the second tranche of the Secured Loan (2022 -

(In Canadian dollars)

$nil and $50,000 for the first tranche of the Secured Loan). During the three and nine months ended December 31, 2023, Burcon recorded $119,727 and $365,153, respectively, (2022 - $63,123 and $70,575) of interest expense related to the Secured Loan. In addition, a gain on debt modification of $nil and $191,125 has been recorded in interest and other income for the three and nine months ended December 31, 2023 (2022 - $nil and $nil) related to the Secured Loan (note 4).

12. Key management compensation

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

	Nine months ended December 31	
	2023	**2022**
Short-term benefits	712,979	560,632
Option-based awards	243,116	226,730
	956,095	787,362

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.

(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 nine months ended December 31, 2023, the weighted average interest rate earned on the Company's cash was 2.2% and 4.3% per annum, respectively, (2022 – 2.8% and 1.4% per annum). The impact of a 1% strengthening or weakening of interest rates on the Company's cash at December 31, 2023 is estimated to be a $7,000 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 nine months ended December 31, 2023, the Company completed a private placement for net proceeds of $3,358,237 (note 7). Subsequent to December 31, 2023, the Company made a drawdown of $1.0 million from the second tranche of the Secured Loan (note 4).

December 31, 2023	Carrying amount	Contractual cash flows	1 year	2 years	3-5 years
Accounts payable and accrued liabilities	629,620	629,620	629,620	-	-
Lease liability	36,924	56,953	56,953	-	-
Secured loan	5,286,409	5,455,890	-	5,455,890	
	5,952,953	6,142,463	686,573	5,455,890	-

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 December 31, 2023 and March 31, 2023:

December 31, 2023

	At fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value
Financial assets				
Cash	-	675,378	-	675,378
Amounts receivable	-	105,429	-	105,429
Total	**-**	**780,807**	**-**	**780,807**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	629,620	629,620
Secured loan	-	-	5,286,409	5,286,409
Total	**-**	**-**	**5,916,029**	**5,916,029**

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 December 31, 2023 and March 31, 2023, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

	December 31, 2023	**March 31, 2023**
U.S. Dollars		
Cash and cash equivalents	805,699	101,127
Accounts payable and accrued liabilities	(67,247)	(24,402)
Net exposure	738,452	76,725
Canadian dollar equivalent	976,676	103,833

Based on the above net exposure at December 31, 2023, a 10% appreciation or depreciation of the U.S. dollar against the Canadian dollar would have resulted in an increase/decrease of approximately $74,000 (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 nine months ended December 31, 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 nine months ended December 31, 2023 and 2022, all revenues were generated in Canada.

16. Commitments

As at December 31, 2023, the Company was committed to $365,000 of production costs.

17. Subsequent event

Subsequent to December 31, 2023, the Company made a drawdown of $1.0 million from the second tranche of the Secured Loan (note 4).