MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Three and nine months ended December 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 February 14, 2024 to provide a meaningful understanding of Burcon NutraScience Corporation's ("Burcon" or the "Company") operations, performance, and financial condition for the three and nine months ended December 31, 2023. The following information should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the periods ended December 31, 2023 and 2022, which are prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB), as well as the audited consolidated annual financial statements for the year ended March 31, 2023. We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information relating to Burcon, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

- continued development of the Company's products and business;
- the Company's growth strategy;
- production costs and pricing of the Company's soy, pea, canola, hemp and sunflower proteins as well as pea protein / canola protein blends;
- marketing strategies for the Company's soy, pea, canola, hemp and sunflower proteins as well as pea protein / canola protein blends;
- development of commercial applications for soy, pea, canola, 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;
- 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 potential joint venture partners' ability to construct, commission and operate its production facility;
- the Company's ability contract with partner manufacturers to produce its plant proteins;
- 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.

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 Company's condensed consolidated interim financial statements for the periods ended December 31, 2023 and 2022 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 and met conditions for the second tranche of the Secured Loan. 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.

The 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.

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 139 issued patents worldwide, including 62 issued U.S. patents, and in excess of 90 additional patent applications, 15 of which are U.S. patent applications.

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 is 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. 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.

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. 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.

<u>Summary financial results for Merit Foods</u>

	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)

WINNIPEG TECHNICAL CENTRE (the "WTC)

During the nine months ended December 31, 2023, the WTC focused on further development of its novel processes, including sunflower protein and hemp protein isolates.

In May 2023, Burcon announced that it has successfully completed end-to-end validation trials of its novel sunflower protein process that was developed during fiscal 2023, using commercial-scale equipment at the WTC. Burcon has validated that its sunflower protein process is ready for commercial scale-up.

In May 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. As part of Burcon's strategy to get closer to customers and end markets and to have greater control over the manufacture of Burcon's proteins, the Company is evaluating and pursuing multiple routes-to-market. Concurrent with partnership discussions, Burcon is exploring additional routes-to-market with the goal of reducing time required to achieve commercial production and sales.

HEMPSEED PROTEIN ISOLATE AND COLLABORATION

In July 2023, Burcon announced that it has partnered with HPS Food and Ingredients Inc. ("HPS"), a global leader in hempseed-based food ingredients, to explore the commercialization of Burcon's hempseed protein isolate. Burcon's novel hempseed protein isolate contains 95% protein, has a neutral flavour profile, exhibits an off-white colour, and disperse well when mixed in solution. These functional attributes are expected to enable the hempseed protein isolate to formulate well in various applications, including beverages, snacks, bars, baked goods, plant-based dairy and meat alternatives. In addition, Burcon's hempseed protein isolate technology uses hempseed grown and processed in North America, which is known for its minimal environmental footprint, its role in promoting soil health and regenerative agriculture.

The goal of the collaboration is to capitalize on the hempseed protein market trend and deliver plant-based protein solutions to customers worldwide. Through this partnership, Burcon and HPS aim to leverage their combined expertise to accelerate market adoption of Burcon's hempseed protein isolate ("Hemp Product"). The collaboration plans include market development, due diligence and commercial validation trials of the Hemp Product. Burcon and HPS intend to negotiate a definitive agreement on a strategic partnership for the commercialization of the Hemp Product following successful commercial validation trials.

In July 2023, Burcon and HPS launched the novel hempseed protein isolate at the Institute of Food Technologies 2023 Annual Meeting and Exposition in Chicago, IL. In September 2023, Burcon and HPS showcased the hempseed protein isolate at Natural Products Expo East held in Philadelphia, PA. The events have garnered numerous inquiries and requests for product samples. Burcon and HPS have been working with the potential customers in providing pilot-scale samples, comprehensive product data including nutritional information, specifications and application concept sheets and collaborating to develop consumer food applications.

In October 2023, Burcon and HPS further showcased the hempseed protein isolate at SupplySide West in Las Vegas, NV. SupplySide West is the largest gathering of health and nutrition professionals, buyers and suppliers in the innovative ingredient space.

As a result of successful market development of the Hemp Product, Burcon and HPS have agreed to proceed with commercial validation trials.

PRIVATE PLACEMENT

Burcon 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 2023 Unit for gross proceeds of $3,413,420 and net proceeds of $3,358,237, after issue costs of $55,183.

Each Unit consists of one common share and one share purchase warrant ("Warrant") exercisable at $0.35 for one common share for a period of 36 months from 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.

The Company is using the proceeds from the private placement to continue its research and development program, advance its ongoing commercialization efforts, explore new routes-to-market for its commercially proven technologies and for general working capital.

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's 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 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 ("Commitment Fee") of $50,000 and $50,000, respectively, on closing of the second tranche of the Secured Loan (2022 - $nil and $50,000 on 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 Secured Loan, including the Commitment Fee, were netted against the Loan Amount and being 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 months 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.

DIRECTOR APPOINTMENT

Mr. John Vassallo was elected to Burcon's Board of Directors at the AGM held on September 20, 2023. Mr. Vassallo has over 30 years' experience in asset acquisition, development and management across several industries in multiple U.S. states. As founder and CEO of Mos RE, LLC, Mr. Vassallo focuses on real estate development, land entitlements, redevelopment and strategic reuse of underutilized buildings by utilizing multi-source financing packages. Mr. Vassallo is also founder and CEO of Global Restaurant Systems, LLC, a multi-faceted management and consulting company providing inclusive restaurant development and operating services.

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 nine months ended December 31, 2023, Burcon recorded PIC grants of $nil and $nil (2022 - $217,689 and $285,862) as government assistance against research and development expenses, of which $nil is included in amounts receivable as at December 31, 2023 (March 31, 2023 - $169,648).

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 and hemp, 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 and hemp.

Burcon continued the maintenance and prosecution of its patent applications during the nine months ended December 31, 2023.

Subsequent to December 31, 2023, Burcon received a U.S. patent grant covering technologies for the production of soy protein ingredients. Burcon currently holds 62 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 15 patent applications currently filed with the U.S. Patent and Trademark Office.

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 139 issued patents covering inventions that include the 62 granted U.S. patents. Currently, Burcon has over 90 additional patent applications that are being reviewed by the respective patent offices in various countries.

RESULTS OF OPERATIONS

As at December 31, 2023, Burcon has not yet generated any significant revenues from its technology. For the three and nine months ended December 31, 2023, the Company recorded a loss of $2,031,192 and $5,376,893, respectively, ($0.02 and $0.04 per share), as compared to $16,303,246 and $23,533,464 ($0.15 and $0.22 per share) in the same periods last year. The significantly higher losses incurred in the fiscal 2023 comparative period are due to impairment charges of $12.3 million and $12.3 million, respectively, recorded for the three and nine months ended December 31, 2022, as discussed on page 5 of this MD&A. In addition, the Company recorded share of loss in Merit Foods of $nil and $nil, respectively, for the three and nine months ended December 31, 2023 (2022 - $2,095,659 and $5,499,906).

For the three and nine months ended December 31, 2023, Burcon recorded royalty revenues of $nil and $184,359, respectively, from the Receiver's sale of Products (2022 - $161,206 and $363,913 from Merit Foods' sale of Products).

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

Research and development expenses

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

	Three months ended Dec. 31,		Nine months ended Dec. 31,	
	2023	**2022**	**2023**	**2022**
Salaries and benefits	498	593	1,463	1,743
Intellectual property	174	249	478	872
Laboratory operation	141	133	317	321
Amortization of deferred development costs	105	106	316	316
Depreciation of property and equipment	44	54	143	142
Rent	30	46	88	138
Analyses and testing	28	39	65	81
Gross research and development expenses	1,020	1,220	2,870	3,613
PIC grant	-	(218)	-	(286)
Net research and development expenses	1,020	1,002	2,870	3,327

Salaries and benefits

Gross salaries and benefits for the three and nine months ended December 31, 2023 decreased by about $95,000 and $280,000, respectively, over the same periods last year. Most of the decrease is due to lower stock-based compensation expense, with the balance to staff changes.

Intellectual Property

Intellectual property ("IP") expenses comprise mainly patent fees and disbursements for the prosecution and maintenance of Burcon's patent portfolio. 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.

For the three months ended December 31, 2023, IP expenses decreased by $75,000, due mainly to lower patent fees and disbursements for the canola patent portfolio as a result of higher activity level in the comparative period. For the nine months ended December 31, 2023, IP expenses decreased by $394,000. In addition to the decrease in patent activity for the canola patent portfolio, maintenance fees also decreased for almost all of the patent portfolios. As part of Burcon's review during fiscal 2023 to optimize its patent portfolio to focus on technologies with the greatest potential value, certain non-core and non-essential patent applications were abandoned that contributed to the decrease in patent expenses.

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

	Three months ended December 31,		Nine months ended December 31,	
	2023	**2022**	**2023**	**2022**
Salaries and benefits	565	661	1,529	1,700
Professional fees	212	41	573	311
Office supplies and services	48	116	168	308
Travel and meals	27	15	109	77
Investor relations	12	80	82	336
Other	9	9	27	26
Transfer agent and filing fees	4	1	25	46
Financing expense	-	19	-	36
	877	942	2,513	2,840

Salaries and benefits

For the three months and nine months ended December 31, 2023, salaries and benefits decreased $96,000 and $171,000, respectively, over the same periods last year. The lower expenses are due mainly to lower stock-based compensation expense, staff changes, and lower director fees from the suspension of fee payment during the first quarter of this fiscal year as part of the Company's cash conservation efforts.

Professional fees

For the three and nine months ended December 31, 2023, professional fees increased $171,000 and $262,000, respectively, over the same periods last year. The increase for the three-month period is due mainly to higher consulting fees during the current quarter. The increase for the nine-month period is due to higher consulting fees during the current year, offset by audit-related fees related to SOX audit and Form 20-F, as well as recruiting fees incurred during the comparative period.

Investor relations

For the three and nine months ended December 31, 2023, investor relations expenses decreased by $68,000 and $254,000, respectively, over the same periods last year. The decrease for the three-month period is due mainly to higher consulting fees in the third quarter of last year and also to expenses for the annual meeting held in the third quarter last year. The decrease for the nine-month period is due mainly to fees incurred in fiscal 2023 for NASDAQ annual fee and investor relations consulting fees.

Office supplies and services

For the three and nine months ended December 31, 2023, office supplies and services decreased by $68,000 and $140,000, respectively, due mainly to lower insurance expenses after delisting from NASDAQ.

LIQUIDITY AND FINANCIAL POSITION

At December 31, 2023, the Company had cash of $675,000. Subsequent to December 31, 2023, Burcon drew down $1.0 million from the second tranche of the Secured Loan. Management estimates cash resources to be sufficient to fund its operations to April 2024, and to January 2025, if the second tranche of the Secured Loan is fully drawn. 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 beyond these dates to meet its business objectives. There can be no assurance that additional financing will be available on acceptable terms, if at all.

The net cash used in operations during the nine months ended December 31, 2023 was $4,073,000 as compared to $5,107,000 in the same period last year. The decrease in net cash used in operations of $1,034,000 is mainly due to decreases of $234,000 in R&D expenses and $242,000 in G&A expenses, offset by decrease in royalty income of $180,000 and other income of $58,000, and changes in non-cash working capital items that contributed to $793,000 increase in net cash used in operations.

At December 31, 2023, Burcon had working capital of $421,000 (March 31, 2023 – $1.2 million). As at December 31, 2023, Burcon was committed to $365,000 of production costs. Burcon expects to incur $135,000 in patent expenditures for the balance of fiscal 2024.

FINANCIAL INSTRUMENTS

The Company's financial instruments are cash and cash equivalents, 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 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.

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

(in thousands of dollars)

December 31, 2023	Carrying amount	Contractual cash flows	1 year	2 years	3-5 years
Accounts payable and accrued liabilities	630	630	630	-	-
Lease liabilities	37	57	57	-	-
Secured loan	5,286	5,456	-	5,456	-
	5,953	6,143	687	5,456	-

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	-

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:

(in thousands of dollars)
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	-	675
Amounts receivable	-	105	-	105
Total	**-**	**780**	**-**	**780**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	630	630
Secured loan	-	-	5,286	5,286
Total	**-**	**-**	**5,916**	**5,916**

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**

Currency risk

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

	December 31, 2023	March 31, 2023
U.S. Dollars (in thousands)		
Cash	806	101
Accounts payable and accrued liabilities	(67)	(24)
Net exposure	739	77
Canadian dollar equivalent (in thousands)	977	104

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.

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 nine months ended December 31, 2023 and 2022, all revenues were generated in Canada.

OUTSTANDING SHARE DATA

As at December 31, 2023, Burcon had 121,731,530 common shares outstanding, 8,984,931 stock options outstanding exercisable at a weighted average exercise price of $1.44 per share, 12,880,829 share purchase warrants outstanding that are exercisable at $0.35 per share, and 401,066 restricted share units outstanding.

As at the date of this MD&A, Burcon had 121,790,530 common shares outstanding, 8,984,931 stock options outstanding exercisable at a weighted average exercise price of $1.44 per share, 12,880,829 share purchase warrants outstanding that are exercisable at $0.35 per share, and 341,000 restricted share units outstanding.

QUARTERLY FINANCIAL DATA

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

	Three months ended			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenue	-	184	-	-
Interest and other income	14	220	27	54
Total comprehensive loss for the period	(2,031)	(1,434)	(1,912)	(1,788)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)	(0.02)

	Three months ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	161	112	91	77
Interest and other income	150	149	116	126
Impairment on investment in Merit Foods	(7,987)	-	-	-
Impairment loss on loan to Merit Foods	(4,334)	(7)	(18)	-
Total comprehensive loss for the period	(16,303)	(3,234)	(3,996)	(4,216)
Basic and diluted loss per share	(0.15)	(0.03)	(0.04)	(0.04)

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 is $nil and $nil, respectively, (2022 - $19,416 and $44,401) for services provided to Merit Foods.

Merit Foods also provided certain consulting services to Burcon. For the three and nine months ended December 31, 2023, Burcon recorded professional fee expense of $nil and $nil, respectively (2022 - $nil and $19,145).

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 - $nil and $50,000 for the first tranche of the Secured Loan). 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) 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).

CRITICAL ACCOUNTING ESTIMATES

The preparation of condensed consolidated interim 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 condensed consolidated interim financial statements, the reported amount of revenue and expenses during the reporting period, and disclosures made in the accompanying notes to the condensed consolidated interim financial statements. Outlined below are the assumptions and other sources of estimation uncertainty as at December 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 secure debt and equity financing.

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:

<u>Useful lives of property and equipment and deferred development costs</u>

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.

<u>Goodwill impairment assessment</u>

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 December 31, 2023, the recoverable amount of the Burcon cash generating unit exceeded the carrying amount, and therefore no impairment charge has been recognized.

<u>Share-based payments</u>

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 does not expect the new standard will have a significant impact 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.

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.

There have been no significant changes in the DC&P and ICFR that occurred during the three months ended December 31, 2023 that could have materially affected, or are reasonably likely to materially affect, such controls.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties that can significantly affect its financial condition and future operations. Key risks are outlined below. In addition, a detailed explanation of the risk factors which we face is provided in our AIF for the year ended March 31, 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 139 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, 62 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 and hemp proteins hinges upon market acceptance by food 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 $140 million from its date of incorporation through December 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 $124.0 million from the sale or issuance of equity securities and convertible debentures. As at December 31, 2023, Burcon had $675,378 in cash. Subsequent to December 31, 2023, the Company made a drawdown of $1.0 million from the second tranche of the Secured Loan. Burcon estimates its cash resources to fund the current level of operations through April 2024, and further to January 2025 if the second tranche of the Secured Loan is fully drawn. Burcon may need to raise additional capital on acceptable terms in order for the Company to meet its business objectives and fund its operations.

OUTLOOK

Burcon's main objectives will be to pursue 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 accelerating plans to produce and sell its hemp protein, as well as launch additional protein products into the market. Burcon will continue both partner development for the commercialization of its sunflower protein while also 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:

- Accelerating hemp protein production capabilities online by leveraging on our partner manufacturer;
- Continue market development of hempseed protein isolate and negotiate a definitive agreement with HPS;
- Launch additional protein products into the market, including sunflower;
- identifying and securing a strategic partner(s) with the goal of commercializing its protein technologies including our sunflower, soy, canola and pea protein technologies;
- expanding 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 marketplace and enhance Burcon's leadership position in plant protein technologies;
- 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 food, beverage, and nutritional product companies to develop improved or novel applications for Burcon's other specialty proteins into their products.