Burcon NutraScience Corporation

Condensed Consolidated Interim Financial Statements
Six months ended September 30, 2013 and 2012
(Unaudited)
(Prepared in Canadian dollars)

Burcon NutraScience Corporation

Condensed Consolidated Interim Balance Sheets
(Unaudited)

(Prepared in Canadian dollars)

	September 30, 2013 $	March 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents	1,851,761	4,602,520
Short-term investments	2,103,355	2,085,746
Amounts receivable (note 9)	15,650	34,524
Prepaid expenses	113,801	153,543
	4,084,567	6,876,333
Property and equipment	726,916	559,920
Deferred development costs (note 4)	1,556,405	1,823,217
Goodwill	1,254,930	1,254,930
	7,622,818	10,514,400
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	617,638	447,884
Deferred revenue	273,680	320,596
	891,318	768,480
Shareholders' Equity (note 5)		
Capital stock	54,005,703	54,005,703
Contributed surplus	5,065,951	5,065,951
Options	9,234,282	9,064,232
Warrants	49,453	49,453
Deficit	(61,623,889)	(58,439,419)
	6,731,500	9,745,920
	7,622,818	10,514,400

Going concern (note 1)

Approved by the Audit Committee of the Board of Directors

(signed) J. Douglas Gilpin Director (signed) David Lorne John Tyrrell 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)

(Prepared in Canadian dollars)

	Three months ended September 30		Six months ended September 30	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Revenue				
Royalty income	23,458	-	47,358	-
Expenses				
General and administrative (note 6)	1,056,041	775,120	2,065,877	1,520,118
Research and development (note 7)	589,309	588,005	1,206,585	909,305
	1,645,350	1,363,125	3,272,462	2,429,423
Loss from operations	(1,621,892)	(1,363,125)	(3,225,104)	(2,429,423)
Interest and other income (note 9)	18,252	11,338	40,634	40,658
Loss and comprehensive loss for the period	(1,603,640)	(1,351,787)	(3,184,470)	(2,388,765)
Basic and diluted loss per share (note 8)	(0.051)	(0.045)	(0.101)	(0.080)

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

Burcon NutraScience Corporation

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

For the six months ended September 30, 2013 and 2012

(Prepared in Canadian dollars)

	Number of fully paid common shares (unlimited number of common shares without par value)	Capital stock $	Contributed surplus $	Options $	Warrants $	Deficit $	Total shareholders' equity $
Balance - March 31, 2012	29,993,074	48,061,704	4,009,595	10,209,388	-	(52,893,897)	9,386,790
Loss for the period	-	-	-	-	-	(2,388,765)	(2,388,765)
Options exercised for cash	194,119	273,901	-	-	-	-	273,901
Transferred from options on exercise of options	-	725,549	-	(726,549)	-	-	(1,000)
Stock-based compensation expense	-	-	-	12,306	-	-	12,306
Balance - September 30, 2012	30,187,193	49,061,154	4,009,595	9,495,145	-	(55,282,662)	7,283,232
Balance - March 31, 2013	31,624,693	54,005,703	5,065,951	9,064,232	49,453	(58,439,419)	9,745,920
Loss for the period	-	-	-	-	-	(3,184,470)	(3,184,470)
Stock-based compensation expense	-	-	-	170,050	-	-	170,050
Balance - September 30, 2013	31,624,693	54,005,703	5,065,951	9,234,282	49,453	(61,623,889)	6,731,500

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

Burcon NutraScience Corporation

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

For the six months ended September 30, 2013 and 2012

(Prepared in Canadian dollars)

	2013 $	2012 $
Cash flows from operating activities		
Loss for the period	(3,184,470)	(2,388,765)
Items not affecting cash		
Amortization of deferred development costs	266,812	133,406
Amortization of property and equipment	74,268	64,909
Amortization of deferred revenue	(46,916)	-
Stock-based compensation expense	170,050	12,306
	(2,720,256)	(2,178,144)
Changes in non-cash working capital items		
Amounts receivable	18,874	(52,244)
Prepaid expenses	39,742	25,188
Accounts payable and accrued liabilities	131,954	(480,970)
Deferred revenue	-	125,308
	(2,529,686)	(2,560,862)
Cash flows from investing activities		
(Increase) decrease in short-term investments	(17,609)	2,301,961
Decrease in restricted cash	-	361,600
Acquisition of property and equipment	(203,464)	(6,097)
Development costs deferred	-	(247,697)
	(221,073)	2,409,767
Cash flows from financing activities		
Issue of capital stock	-	273,901
(Decrease) increase in cash and cash equivalents	(2,750,759)	122,806
Cash and cash equivalents - Beginning of period	4,602,520	3,856,929
Cash and cash equivalents - End of period	1,851,761	3,979,735
Supplemental disclosure of non-cash investing activities		
Amortization of property and equipment charged to deferred development costs	-	6,566

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

(Prepared in Canadian dollars)

1 Going concern

Burcon NutraScience Corporation (Burcon or the Company) is an incorporated entity headquartered in Vancouver, Canada.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at September 30, 2013, the Company had minimal revenues from its technology, had an accumulated deficit of $61,623,889, and had relied on equity financings, private placements, rights offerings and other equity transactions to provide the financing necessary to undertake its research and development activities. At September 30, 2013, the Company had cash and cash equivalents of $1,851,761 and short-term investments of $2,103,355. These conditions indicate existence of a material uncertainty that casts substantial doubt about the ability of the Company to meet its obligations as they become due and, accordingly, its ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the Company raising additional capital. The Company will need to raise additional capital to meet its business objectives. However, there can be no assurance that additional financing will be available at acceptable terms, if at all. Although the Company expects to receive royalty revenues from its license and production agreement (Soy Agreement) with Archer Daniels Midland Company (ADM) from the sales of CLARISOY™ (see note 2), the amount and timing of royalty revenues cannot be ascertained at this time. Burcon expects the amount of royalty revenues from the sales of CLARISOY™ will not reach its full potential until such time production is expanded to one or more full-scale commercial facilities. It is the intention of the Soy Agreement that a full-scale commercial facility will be built. However, the timing of the construction of such a full-scale commercial facility has not yet been determined. If the Company is unable to raise additional capital, it will be necessary to reduce the level of various expenditures, including research and development and patent expenditures that are not required for the Soy Agreement.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(Prepared in Canadian dollars)

2 Nature of operations

Burcon and its subsidiary are research and development companies that are developing plant protein extraction and purification technology in the field of functional, renewable plant proteins. The Company and its subsidiary have developed CLARISOY™, a soy protein; and are developing PEAZAZZ®, a pea protein, and Puratein®, Supertein™ and Nutratein®, three canola protein isolates.

a) CLARISOY™

On March 4, 2011, Burcon signed the Soy Agreement with ADM to license its CLARISOY™ technology to ADM on an exclusive basis to produce, market and sell CLARISOY™ soy protein worldwide. The terms of the Soy Agreement include: (a) the license to ADM of all intellectual property, including know-how and trade secrets, concerning the manufacture and use of CLARISOY™, (b) payments to Burcon on a quarterly basis that began upon certain approval by the Environmental Protection Agency and continue until the first bona fide arm's length sale of soy products manufactured in the Semi-works Production facility, (c) the engineering and design of an initial commercial CLARISOY™ production plant to be completed by ADM and (d) a royalty structure that incorporates financial incentives for ADM to expand sales globally. ADM will make royalty payments to Burcon on the sales of CLARISOY™ under the 20-year Soy Agreement. Maintaining the CLARISOY™ soy protein patent portfolio during the term of the Soy Agreement is the responsibility of Burcon. In December 2012, ADM notified Burcon of the first bona fide arm's length sale of CLARISOY™ soy protein. Pursuant to the Soy Agreement, the initial license fee payments ceased at the end of the quarter that immediately precedes the quarter in which the first bona fide arm's length sale of CLARISOY™ manufactured in the semi-works production facility occurs. Accordingly, commencing with the quarter ended December 31, 2012, Burcon earned a percentage of net revenues from the sale of CLARISOY™ manufactured from the semi-works production facility.

b) Peazazz®

Burcon has developed a novel pea protein isolate that it has branded Peazazz®. In June 2013, Burcon announced that it has completed the construction of a Peazazz® semi-works production facility. The semi-works plant, located in Winnipeg, Manitoba, will enable Burcon to provide market development quantities (tonnage amounts) to customers for product and market development activities.

Burcon has executed a number of material transfer agreements (MTAs) with potential partners and customers, and will provide the samples produced from the Peazazz® semi-works production facility.

(Prepared in Canadian dollars)

c) Puratein®, Supertein™ and Nutratein®

Burcon is developing three canola protein isolate products, Puratein®, Supertein™ and Nutratein®. In 2008, Puratein® and Supertein™ achieved U.S. self-affirmed GRAS (Generally Recognized As Safe) status, and the U.S. Food and Drug Administration formally acknowledged receipt of Burcon's GRAS notification for Puratein® and Supertein™ in 2010.

3 Significant accounting policies

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 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 were approved and authorized for issue by the Audit Committee of the Board of Directors on November 12, 2013.

The condensed consolidated interim financial statements should be read in conjunction with the Company's IFRS consolidated annual financial statements for the year ended March 31, 2013.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary, Burcon NutraScience (MB) Corp. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's subsidiary at September 30, 2013 are as follows:

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

(Prepared in Canadian dollars)

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective April 1, 2013. These changes have been made in accordance with the applicable transitional provisions.

- The Company has adopted IFRS 10, *Consolidated Financial Statements*, which did not result in any changes to the Company's scope of consolidation.

- The Company has adopted IFRS 11, *Joint Arrangements*. The adoption did not impact the Company as it does not have any joint arrangements at this time.

- The Company has adopted the amendments to IAS 1, *Presentation of Financial Statements*. These amendments requires the Company to group other comprehensive income items by those that may be recycled through net income and those that will not be recycled through net income. The adoption did not result in changes to the condensed consolidated interim statements of operations and comprehensive loss, as the Company currently does not have any transactions to recognize within other comprehensive income.

- The Company has adopted amended IAS 19, *Employee Benefits*. The adoption did not impact the Company as it does not have any defined benefit plans.

- The Company has adopted IFRS 13, *Fair Value Measurement*. The adoption of IFRS 13 did not result in any measurement adjustments as at April 1, 2013.

Accounting standards issued and not applied

IFRS 9 - Financial instruments - Classification and Measurement

The first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, *Financial Instruments - Recognition and Measurement*. IFRS 9 has two measurement categories of financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, it is at fair value through profit or loss. Financial liabilities are measured at either at fair value through profit and loss or amortized cost. IFRS 9 was updated in October 2010 to include guidance on financial liabilities and derecognition of financial instruments.

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impaired and classification and measurement requirements.

(Prepared in Canadian dollars)

Amendments to IFRS 7 - Financial Instruments: Disclosures

IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9 which is effective for years beginning on or after January 1, 2015.

IAS 32 - Financial Instruments: Presentation

IAS 32 is amended to clarify requirements for offsetting of financial assets and financial liabilities. IAS 32 is effective for years beginning or after January 1, 2014.

The Company does not expect any material impact from the adoption of these standards.

4 Deferred development costs

	$
Cost at March 31, 2013	2,223,435
Current period additions	-
Cost at September 30, 2013	2,223,435
Accumulated amortization at March 31, 2013	400,218
Current period amortization	266,812
Accumulated amortization at September 30, 2013	667,030
Net book value at September 30, 2013	1,556,405
Cost at March 31, 2012	1,969,172
Current period additions	254,263
Cost at March 31, 2013	2,223,435
Accumulated amortization at March 31, 2012	-
Current period amortization	400,218
Accumulated amortization at March 31, 2013	400,218
Net book value at March 31, 2013	1,823,217

(Prepared in Canadian dollars)

5 Shareholders' equity

a) Capital stock

Authorized
Unlimited number of common shares without par value

b) Contributed surplus

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

c) Options

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

At September 30, 2013, 1,882,000 (March 31, 2013 - 1,882,000) 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 $4.16 and $9.60 per common share. An additional 1,280,469 (March 31, 2013 - 1,280,469) options may be granted in future years under this plan. Unless otherwise determined by the Board of Directors, the options have a term of 10 years from the date of grant. The vesting terms are determined at the discretion of the Board of Directors at the time of grant. All grants are recognized using graded vesting, with each vesting tranche being valued separately, and the fair value of each tranche recognized over its respective vesting period.

	Six months ended September 30, 2013		Year ended March 31, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding - Beginning of period	1,882,000	7.31	1,995,854	7.32
Granted	-	-	457,000	4.27
Exercised	-	-	(378,354)	3.30
Forfeited/Expired	-	-	(192,500)	8.08
Outstanding - End of period	1,882,000	7.31	1,882,000	7.31

(Prepared in Canadian dollars)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2013:

	Options outstanding			Options exercisable	
$	Number outstanding at September 30, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable at September 30, 2013	Weighted average exercise price $
4.16 to 6.78	922,000	4.91	5.10	720,000	5.37
8.05 to 9.60	960,000	6.35	9.44	960,000	9.44
	1,882,000			1,680,000	

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

	Six months ended September 30, 2013	Year ended March 31, 2013
Dividend yield	N/A	0.0%
Expected volatility	N/A	56.2%
Risk-free interest rate	N/A	1.5%
Expected forfeitures	N/A	13.3%
Expected average option term (years)	N/A	7.2

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.

There were no options granted during the six months ended September 30, 2013. The weighted average fair value of the options granted during the year ended March 31, 2013 was $2.26 per option.

For the three and six months ended September 30, 2013, included in research and development expenses in salaries and benefits is $35,597 and $68,878, respectively, (2012 - $nil and $nil) (note 7) of stock-based compensation and included in general and administrative expenses is $43,857 and $86,152, respectively, (2012 - $45,443 and $12,306) in salaries and benefits and $3,409 and $15,020, respectively, (2012 - $nil and $nil) in investor relations (note 6) of stock-based compensation.

(Prepared in Canadian dollars)

6 General and administrative

	Three months ended September 30		Six months ended September 30	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Professional fees	585,873	355,996	1,119,238	622,999
Salaries and benefits (note 5)	250,308	251,127	539,118	531,304
Investor relations (note 5)	81,662	55,828	169,164	140,644
Office supplies and services (note 9)	55,785	37,130	88,203	76,477
Travel and meals	48,614	32,395	63,005	53,271
Other	21,955	30,164	65,908	72,267
Management fees (note 9)	11,016	11,631	19,779	21,458
Amortization of property and equipment	828	849	1,462	1,698
	1,056,041	775,120	2,065,877	1,520,118

During the three months ended June 30, 2012, Burcon capitalized $131,555 of professional fees to deferred development costs.

7 Research and development

	Three months ended September 30		Six months ended September 30	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Salaries and benefits (note 5)	303,806	267,250	628,113	485,245
Amortization of deferred development costs	133,406	133,406	266,812	133,406
Laboratory operation	62,779	101,852	150,447	150,052
Amortization of property and equipment	45,094	35,217	72,806	63,211
Rent	21,376	20,230	42,746	36,425
Analyses and testing	19,353	18,614	35,756	28,844
Travel and meals	3,495	11,436	9,905	12,122
	589,309	588,005	1,206,585	909,305

During the three months ended June 30, 2012, Burcon capitalized $122,708 to deferred development costs.

(Prepared in Canadian dollars)

8 Basic and diluted loss per share

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

	Three months ended September 30		Six months ended September 30	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Loss for the period, being loss attributable to common shareholders - basic and diluted	1,603,640	1,351,787	3,184,470	2,388,765
	Shares	**Shares**	**Shares**	**Shares**
Weighted average common shares - basic and diluted	31,624,693	30,083,862	31,624,693	30,040,009
Basic and diluted loss per share	(0.051)	(0.045)	(0.101)	(0.080)

For the three and six months ended September 30, 2013 and 2012, the Company excluded all potential common share equivalents from the diluted loss per share calculation as they were anti-dilutive.

9 Related party transactions

The Company engaged a company that is controlled by an entity that has significant influence over Burcon for the following related party transactions:

Included in general and administrative expenses for the three and six months ended September 30, 2013 is $15,791 and $31,581 , respectively (2012 - $15,791 and $31,581) for office space rental, services, and equipment rental.

For the three and six months ended September 30, 2013, included in management fees is $10,826 and $19,489, respectively (2012 - $11,344 and $20,854) for services provided. At September 30, 2013, $2,460 (March 31, 2013 - $3,079) of this amount is included in accounts payable and accrued liabilities. For the three and six months ended September 30, 2013, included in interest and other income is $3,594 and $6,991, respectively (2012 - $2,174 and $9,507) for management services provided. At September 30, 2013, $1,250 (March 31, 2013 - $531) of this amount is included in amounts receivable.

(Prepared in Canadian dollars)

10 Key management compensation

Key management includes the Company's CEO and COO. For the six months ended September 30, 2013 and 2012 remuneration of key management comprises:

	2013 $	2012 $
Short-term benefits	188,352	174,980
Option-based awards	19,556	12,306
	207,908	187,286

Short-term benefits comprise salaries, fees and 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 5.

11 Financial instruments

Credit risk

The financial instruments that potentially expose the Company to a concentration of credit risk are cash and cash equivalents, short-term investments and amounts receivable. The Company's cash and cash equivalents may comprise interest-bearing savings instruments with Canadian chartered banks. Short-term investments comprise interest-bearing securities with Canadian chartered banks with maturities at their purchase dates of greater than three months but not more than a year. The Company limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with three Canadian chartered banks.

Interest rate risk

All of the Company's financial instruments are non-interest bearing except for cash and cash equivalents that earn interest at variable market rates and short-term investments that earn interest at a fixed interest rate. Burcon's cash and cash equivalents and short-term investments are held at three Canadian chartered banks to maximize interest and to diversify risk. For the three and six months ended September 30, 2013, the weighted average interest rate earned on the Company's cash and cash equivalents was 1.15% and 1.17%, respectively (2012 - 1.15% and 1.15%) and the weighted average interest rate earned on the short-term investments was 1.45% and 1.45 %, respectively (2012 - 1.56% and 1.56%) per annum. The impact of a 1% strengthening or weakening of interest rate on the Company's cash and cash equivalents at September 30, 2013 is estimated to be a $19,000 increase or decrease in interest income per year.

(Prepared in Canadian dollars)

Liquidity risk

The Company manages liquidity risk through the management of its capital structure (note 12). It also manages liquidity risk by monitoring actual and forecasted cash flows taking into account current and planned operations. The Company's estimated minimum contractual undiscounted cash flow requirements for its financial liabilities at September 30, 2013 was $617,638, all of which is due within the next 12 months. Additional information regarding liquidity risk is disclosed in note 1.

12 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 development program. The Company is dependent on non-operating sources of cash, primarily from issuing equity, to fund its operations and research development program. 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 equity capital when deemed appropriate, but there is no assurance that it will be able to secure the necessary capital when required. Additional information regarding capital management is disclosed in note 1.

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 three and six months ended September 30, 2013.