

Burcon Reports Fiscal 2023 Third Quarter Results

Vancouver, British Columbia--(Newsfile Corp. - February 14, 2023) - Burcon NutraScience Corporation (TSX: BU) ("Burcon" or the "Company"), a global technology leader in the development of plant-based proteins for foods and beverages, reported results for the fiscal third quarter ended December 31, 2022.

Operational highlights for the third quarter ended December 31, 2022:

During the quarter, Burcon:

- recorded a 44% quarter-over-quarter increase in royalty revenues from its licensee, Merit Functional Foods Corporation ("Merit");
- advanced the due diligence process in support of the partnership discussions with potential partners on opportunities to commercialize one or more of Burcon's innovative plant-based protein technologies;
- appointed specialty protein executive, Kip Underwood, as Burcon's new Chief Executive Officer;
- announced the appointment of climate tech specialist, Aaron T. Ratner, to Burcon's board of directors; and
- appointed KPMG LLP as Burcon's successor auditor.

During the quarter, Burcon's 31.6% investee, Merit:

- recorded \$3.0 million in total revenue, an increase of 146% from year ago quarter;
- officially launched its first USDA Certified Organic protein ingredient, Peazazz C™ 850 pea protein;
- collaborated with Canadian partners, in a project co-invested by Protein Industries Canada, to develop a new line of high-quality plant-based seafood alternative products;
- showcased its protein ingredients in new product concepts at Supply Side West and Fi Europe tradeshows; and
- sold its best-in-class pea and canola protein ingredients into new product applications and new geographic regions.

Subsequent to the quarter-end, Burcon:

- received a notice of allowance from the US Patent and Trademark Office of a key patent application for the unique process and characteristics of Burcon's Peazazz® pea protein which has issued as a patent on February 8, 2023; and
- announced, in a shareholder letter, its commitment to the Merit business and proposed plans for a path to profitability.

Management Commentary

New leadership, progress and production consistency marks our fiscal 2023 third quarter, which saw our investee, Merit Functional Foods, achieve the highest protein sales for any single quarter to-date, as well as saw Burcon further advancing its partnership discussions. Burcon's team worked diligently to support the ongoing partnership discussions with potential partners. We are pleased with the momentum from this quarter and continue to focus on our goal of commercializing Burcon's additional protein technologies. Our team supported Merit with process optimization during the quarter which helped Merit to secure additional sales orders for its protein ingredients.

Merit has been achieving further consistency in the production of its pea and canola protein ingredients. The results of continuous process improvements and optimization at Merit boosted sales this quarter, which allowed Burcon to record a 44% increase in royalty revenues over last quarter. We are seeing

Merit's protein ingredients increasingly being sold into a variety of food and beverage applications and across major geographical regions. Moreover, during the quarter, Merit officially launched its first USDA Certified Organic Peazazz C™ 850 pea protein ingredient. Merit's customers were delighted to receive this highly anticipated organic version of its unique Peazazz pea protein which is currently being formulated into health-driven consumer products. We are encouraged to see Merit continue to convert more of its sales prospects into long-term customers.

In addition to growing protein sales, Merit entered into a collaboration with Canadian-based partners, Konscious Foods and Canadian Pacifico Seaweeds to develop a new line of more than 20 plant-based seafood alternative products for the North American market. A total of \$5.5 million was committed to the project as a co-investment from Protein Industries Canada ("PIC"), which will see Merit's pea and canola proteins formulated into and launched in new plant-based seafood alternative offerings.

We are pleased to report that our ongoing partnership discussions have further advanced this past quarter, completing a number of key due diligence items that are crucial to moving this project forward. Our potential partners are encouraged by the due diligence results and are motivated to reach an agreement that can quickly bring Burcon's technology to market. Burcon's priority going forward is to reach a definitive agreement, in the form of a joint venture, with our potential partners to bring one or more of Burcon's protein technologies to market.

Subsequent to quarter-end, Burcon received a notice of allowance from the United States Patent and Trademark Office for a key patent application covering the proprietary Peazazz process and the characteristics of Burcon's Peazazz pea protein produced therefrom. On February 8, 2023, the application issued as a patent. Securing this patent protects and maintains Merit's pea protein market differentiation which helps Merit continue to gain market share in the booming plant-based protein space.

On November 7, 2022, Burcon was pleased to announce the appointment of Kip Underwood, a seasoned veteran executive with over 25 years of experience in the food and specialty protein industry, as its new chief executive officer. Mr. Underwood brings with him deep industry knowledge and an impressive track record of driving sustainable profitable growth. We believe, that in the short amount of time since Mr. Underwood joined Burcon, his leadership has already had positive influence on all aspects of Burcon, its team and its partner Merit. Following Burcon's AGM, we announced the appointment of Aaron T. Ratner to Burcon's board of directors. Mr. Ratner brings a wealth of experience in clean tech and project finance. We look forward to his valuable contributions to the board and management team.

Subsequent to quarter-end, Burcon issued a shareholder letter affirming its belief and commitment to Merit's business. In the letter, with the financial backing of Burcon's largest shareholder, we outlined a plan that could lead towards profitability. There are risks involved. If our plans are successful, Burcon could have, for the first time in its history, an opportunity to develop, produce, and market its innovative protein products.

Financial Results (in Canadian dollars)

Burcon recorded royalty revenues from Merit of \$161,000, as compared to \$45,000 in the same year-ago quarter. Royalty revenues have been increasing each quarter over the past year, with the current quarter's royalty representing a 44% increase over the previous quarter.

Net loss totaled \$16.3 million or \$0.15 per basic and diluted share for the current quarter, as compared to \$1.5 million or \$0.01 per basic and diluted share in the same year-ago quarter.

During this quarter, Merit recorded total sales of \$3.0 million, including sales of co-products in addition to pea and canola protein sales, an increase of 146% over the same year-ago quarter. With its 31.6% equity stake in Merit, Burcon recorded \$2.1 million as its share of loss in Merit for the quarter, as compared to \$1.2 million in the same quarter in fiscal 2022. The higher loss reflects its stage of

development as it continued to ramp up production and sales. Merit has incurred cumulative losses and cash flow deficiencies that have adversely impacted its financial situation and liquidity position. As disclosed in our previous news release, Merit began a process to identify a new strategic investor. To-date no funding has been received from a new investor. Due to Merit's financial situation and liquidity position, Burcon performed an assessment of the recoverability of the investment and has recorded impairment charges of \$12.3 million related to its investment in and loan to Merit.

Gross research and development expenses totaled \$786,000 for this quarter, as compared to \$895,000 in the same year-ago quarter. Burcon received Protein Industries Canada grants this quarter and Covid-19 subsidies in the same quarter last year. After taking these grants into account, R&D expenditures did not change significantly over the same period last year.

Gross intellectual property expenses totaled \$217,000 during the third quarter, as compared to \$468,000 in the same year-ago quarter. The decrease is due to lower maintenance fees for our soy patent portfolio.

At December 31, 2022, cash balances totaled \$1.6 million, as compared to \$7.0 million as at March 31, 2022. With the first tranche of the \$10 million secured loan facility, Burcon expects it has sufficient resources to fund its operations to June 2023, and further to May 2024 if certain conditions are met for the second tranche of the secured loan facility. The Company has implemented certain cost-cutting measures to conserve its cash resources.

Conference Call Details

Burcon will hold an investor conference call and webcast on Tuesday, February 14, 2023 at 5:00pm ET.

A link to the webcast of the conference call will be available on Burcon's website under "Presentations" or directly [here](#). The webcast will also be archived for future playback.

Investors interested in participating in the live call can dial in using the details below:

Date: Tuesday February 14, 2023

Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)

Toll-free dial-in (North America): 1-855-327-6837

Dial-in (toll/international): 1-631-891-4304

Conference ID: 10021125

About Burcon NutraScience Corporation

Burcon is a global technology leader in the development of plant-based proteins for foods and beverages. With over two decades of experience formulating high-purity proteins that have superior functionality, taste and nutrition, Burcon has amassed an extensive patent portfolio covering its novel plant-based proteins derived from pea, canola, soy, hemp and sunflower seeds, among other plant sources. In 2019, Merit Functional Foods Corporation ("Merit Foods") was established between Burcon and three veteran food industry executives. Merit Foods has since built and commissioned a state-of-the-art protein production facility in Manitoba, Canada that is producing, under license from Burcon, best-in-class pea and canola proteins for the food and beverage industries. Burcon currently holds a 31.6% shareholding interest in Merit Foods. For more information, visit www.burcon.ca.

Forward-Looking Information Cautionary Statement

The TSX has not reviewed and does not accept responsibility for the adequacy of the content of the information contained herein. This press release contains forward-looking statements or forward-looking

information within the meaning of the U.S. *Private Securities Litigation Reform Act* of 1995 and applicable Canadian securities legislation. Forward-looking statements or forward-looking information involve risks, uncertainties and other factors that could cause actual results, performances, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements, with respect to the financial circumstances of Merit and our ability to help Merit reach profitability. Forward-looking statements or forward-looking information can be identified by words such as "anticipate," "intend," "plan," "goal," "project," "estimate," "expect," "believe," "future," "likely," "may," "should," "could," "will" and similar references to future periods. All statements included in this release, other than statements of historical fact, are forward-looking statements. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements or information. Important factors that could cause actual results to differ materially from Burcon's plans and expectations include the implementation of our business model and growth strategies; trends and competition in our industry our future business development, financial condition and results of operations and our ability to obtain financing cost-effectively; potential changes of government regulations; and other risks and factors detailed herein and from time to time in the filings made by Burcon with securities regulators and stock exchanges, including in the section entitled "Risk Factors" in Burcon's annual information form for the year ended March 31, 2022 and its other public filings with Canadian securities regulators on SEDAR at www.sedar.com. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Any forward-looking statement or information speaks only as of the date on which it was made, and, except as may be required by applicable securities laws, Burcon disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. Although Burcon believes the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance, and, accordingly, investors should not rely on such statements.

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Burcon NutraScience Corporation
 Condensed Consolidated Statements of
 Financial Position
 (Unaudited)
 As at December 31, 2022 and March 31,
 2022

(In Canadian dollars)

	December 31, 2022 \$	March 31, 2022 \$
Assets		
Current assets		
Cash and cash equivalents	1,608,952	7,000,824
Restricted cash	-	122,707
Amounts receivable	390,169	200,342
Prepaid expenses	223,182	291,621
	2,222,303	7,615,494

Property and equipment	1,045,968	859,386
Deferred development costs	5,901,026	6,217,153
Investment in and loan to Merit Functional Foods Corporation	1	13,402,774
Goodwill	1,254,930	1,254,930
	<u>10,424,228</u>	<u>29,349,737</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	584,847	906,651
Lease liability	26,811	14,397
Deferred revenue	-	122,707
	<u>611,658</u>	<u>1,043,755</u>
Secured loan	4,070,575	-
Lease liability	36,924	58,742
	<u>4,719,157</u>	<u>1,102,497</u>
Shareholders' Equity		
Capital stock	114,566,577	114,566,577
Contributed surplus	16,763,830	15,863,592
Options	7,057,975	7,041,049
Restricted share units	86,209	12,078
Deficit	(132,769,520)	(109,236,056)
	<u>5,705,071</u>	<u>28,247,240</u>
	<u>10,424,228</u>	<u>29,349,737</u>

Burcon NutraScience Corporation

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited)

For the three and nine months ended December 31, 2022 and 2021

(In Canadian dollars)

	Three months ended		Nine months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue				
Royalty income	161,206	44,597	363,913	94,222
Expenses				
Research and development	785,629	272,012	2,486,526	952,208
Intellectual property	216,602	276,476	839,981	617,497
General and administrative	941,690	871,343	2,840,338	2,810,754
	<u>1,943,921</u>	<u>1,419,831</u>	<u>6,166,845</u>	<u>4,380,459</u>
Loss from operations	(1,782,715)	(1,375,234)	(5,802,932)	(4,286,237)
Interest and other income	131,187	98,640	371,585	311,662
Management fee income	19,416	24,848	44,546	111,321
Gain on dilution of investment in Merit Functional Foods Corporation	-	961,164	-	961,164
Share of loss in Merit Functional Foods Corporation	(2,095,659)	(1,191,630)	(5,499,906)	(3,098,661)
Impairment on investment in Merit Functional Foods Corporation	(7,987,303)	-	(7,987,303)	-
Impairment loss on loan to Merit Functional Foods Corporation	(4,333,630)	-	(4,358,630)	-

Interest and other expense	(252,081)	(23,628)	(304,412)	(40,468)
Other	(2,461)	(983)	3,588	(951)
Total comprehensive loss for the period	(16,303,246)	(1,506,823)	(23,533,464)	(6,042,170)
Basic and diluted loss per share	(0.15)	(0.01)	(0.22)	(0.06)



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