

MANAGEMENT'S DISCUSSION AND ANALYSIS THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 2004 AND 2003

The following Management's Discussion and Analysis provides information on the activities of Burcon NutraScience Corporation ("Burcon" or the "Company") and a comparison of the financial position and operating results of the three months and nine months ended December 31, 2004 and 2003. This information should be read in conjunction with the year-end and interim consolidated financial statements and the accompanying notes, as well as additional Company information available on SEDAR at www.sedar.com.

OVERVIEW

Burcon NutraScience Corporation ("Burcon" or the "Company") is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. The goal of Burcon's research is to develop its patented process to utilize inexpensive oilseed meals for the production of purified plant proteins that exhibit certain nutritional, functional or nutraceutical profiles. Burcon, in conjunction with Archer Daniels Midland Company (ADM), is currently focusing its efforts on developing the world's first commercial canola proteins, Puratein® and Supertein™. Canola, recognized for its nutritional qualities, is Canada's largest oilseed crop and the second-largest oilseed crop in the world after soybeans. Burcon's goal is to develop Puratein and Supertein to participate with soy, dairy and egg proteins in the expanding multi-billion-dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products.

OPERATIONAL HIGHLIGHTS

During the quarter ended June 30, 2004, Burcon's technical centre dedicated its efforts to producing and providing samples to ADM needed for applications work and toxicology studies. The samples for toxicology studies were completed and delivered in June 2004. The completion of this process-identification stage of development was to allow the initiation of the process to obtain regulatory recognition for canola protein as Generally Recognized as Safe (GRAS) from the U.S. Food and Drug Administration. The process-identification stage was critical to confirm the source of canola and the processing conditions to be employed in the commercial production of canola protein. Burcon's technical centre continued its work on producing samples for applications work into the early part of the second quarter.

During the second quarter, Burcon announced that, in conjunction with ADM, it would pursue modifications to its protein extraction process in an effort to improve certain physical and functional properties of Puratein and Supertein to allow for a broader array of applications. Burcon and ADM concluded that additional research and development needed to be initiated to improve certain physical and functional properties of the Products. This decision could create a delay in the regulatory recognition process, which impacts the projected development timeline for taking these proteins to market. If Burcon and ADM conclude that substantial modifications need to be made to the extraction process in order to expand potential applications for the Products, then samples will have to be prepared using the modified process. Such samples are required for toxicology studies which form an important part of the GRAS notification dossier and the regulatory recognition process.

During the third quarter, Burcon carried out additional research, both internally and externally through third-party facilities, on investigating modifications to the extraction process. Although further work is still required, Burcon and ADM's teams are pursuing two promising alternative

modifications. Once Burcon and ADM are satisfied with the overall quality of the proteins that can be produced under the refined technology, samples will be produced to conduct toxicology studies.

Burcon announced during the first quarter that it had entered into a research collaboration agreement with the Fraunhofer Institute of Friesing, Germany to conduct experiments and characterize certain bio-functional properties of Burcon's protein products with respect to potential value-added health benefits. The main areas that were being investigated included blood cholesterol lowering activity and the antioxidant activity of virgin canola proteins and partly modified canola proteins. Investigative procedures included testing against standard food ingredients and selected pharmaceuticals as benchmarks. The results indicated that the Products' effect on bile acid binding were not statistically different from that of soy protein isolate. However, Burcon's proteins showed significant radical scavenging activity.

Free radicals (super oxide, hydrogen peroxide and hydroxyl radicals) are generated both in food and in the human body. In food they cause deterioration of the fat and other food constituents. This may result in the formation of off-flavours and undesirable chemical compounds that may be detrimental to health. Free radicals that are produced as metabolites in the human body are related to the cause of several diseases. There is an increasing interest in substances that can destroy free radicals or even prevent their formation in order to reduce the risk of disease and to make food more stable. The Fraunhofer results suggest that Burcon's protein products may have effective anti-oxidative potential in vivo. Correlation between these results and the activity in vivo will need to be undertaken.

During the first quarter, Burcon filed a patent application over a process to produce sodium-free versions of Puratein and Supertein which may be valued by food processors who wish to produce sodium-reduced products.

During the second and third quarters, Burcon continued the prosecution of pending patent applications. In the nine months ended December 31, 2004, several of its applications entered into National Phase, during which national applications were filed in selected countries. As a result of the research conducted in the recent months, the Company filed an additional patent application subsequent to the quarter-end over a novel modification of its existing protein extraction technology.

INVESTOR RELATIONS

During the second quarter, Burcon announced the departure of Michael Kirwan, senior vice-president corporate development. Mr. Kirwan was responsible for, among other items, Burcon's investor relations and corporate communications. Burcon's chief financial officer, Jade Cheng, has assumed the responsibility for investor relations and corporate communications.

RESULTS OF OPERATIONS

For the quarter and nine months ended December 31, 2004, Burcon recorded a loss of \$637,306 (\$0.04 per share) and \$2,475,536 (\$0.14 per share), respectively as compared to \$579,818 (\$0.04 per share) and \$1,824,180 (\$0.12 per share) for the same periods in 2003. Of the loss amounts in the three and nine months ended December 31, 2004, \$69,954 and \$365,407 related to stock-based compensation expense (a non-cash expense). The following provides a comparative analysis of significant changes in major expenditures items.

Research and Development (R&D) expenses – R&D expenses totalled to \$287,840 and \$1,109,625 for the three and nine months ended December 31, 2004, respectively. This compares to \$319,130 and \$967,411 for the same periods in 2003. Components of R&D expenses are disclosed in note 3 to the consolidated financial statements. The decrease in the current quarter results mainly from a decrease in amortization due to applying the declining balance method of amortization on the lower unamortized balance of equipment acquired in prior years. The increase of approximately \$142,000 for the nine-month periods is related to (a) an increase of salaries and benefits due almost entirely to stock-based compensation expense (a non-cash expense) of approximately \$50,000 for the nine months ended December 31, 2004, (b) an increase of approximately \$92,000 in analyses and testing due to the Fraunhofer bio-functionality study undertaken in the second quarter, (c) loss on disposal of plant equipment of approximately \$60,000, offset by (d) a decrease in amortization expense of approximately \$90,000.

General and Administrative (G&A) expenses – G&A expenses totalled \$136,903 and \$730,813 for the three and nine months ended December 31, 2004, compared to \$156,513 and \$490,249 for the same periods in 2003. During fiscal 2004, Burcon adopted the Canadian Institute of Chartered Accountants amended recommendations related to accounting for stock-based compensation. The amended recommendations require recognition of an estimate of the fair value of stock-based awards. G&A expenses increased by approximately \$51,000 and \$285,000 for the current quarter and the nine months ended December 31, 2004 due to this change. The increase due to stock-based compensation for the current quarter is offset by the decrease in salaries and benefits due to the departure of a senior officer at the end of the second quarter. The balance of the increase for the nine-month period can be attributed to directors' fees of \$46,500. Of the directors fees paid, the annual retainer of \$30,000 was settled by the issuance of 23,076 common shares.

Professional fees

	Quarter ended Dec. 31		Nine months ended Dec. 31	
	2004	2003	2004	2003
Regulatory and intellectual property	\$ 170,915	\$ 77,402	\$ 511,680	\$ 184,614
Legal	5,179	1,613	41,347	77,952
Consulting and other	26,974	3,707	41,481	36,138
	\$ 203,068	\$ 82,722	\$ 594,508	\$ 298,704

The significant increase in regulatory and intellectual property expenses can be attributed to several of the Company's patents entering the National Phase that began in the first quarter and continued throughout the year, during which national applications were filed in selected countries. Legal fees incurred in the current quarter increased slightly over the same quarter in 2003 and decreased by approximately \$37,000 for the nine-month period. Most of the legal costs incurred in the 2003 quarter related to the negotiation of the ADM agreement which was finalized in September 2003.

Management fees – The decrease in management fees of approximately \$13,000 for the current quarter compared to 2003 is primarily attributable to fees charged by a related company due to a Company officer on leave during the quarter. The decrease in management fees of approximately \$11,000 for the nine-month period as compared to 2003 is attributable to the same factor, offset

by an increase of about \$9,000 in stock-based compensation expense related to corporate advisory services provided.

LIQUIDITY AND FINANCIAL POSITION

On December 31, 2004, the Company's cash position amounted to \$1,596,447, compared to \$3,753,804 as at March 31, 2004. The net cash used in operations for the quarter and nine-months ended December 31, 2004, measured in terms of cash flows from operating activities, before changes in non-cash working capital, amounted to \$494,334 and \$1,829,344, respectively, as compared to \$460,854 and \$1,491,674, respectively, for the three and nine months ended December 31, 2003. The increase in the net cash used in operations was largely attributable to the same factors underlying the increases in professional fees as discussed above and also to the Fraunhofer study undertaken in the second quarter.

Burcon did not expend significant amounts in the current quarter for capital acquisitions. During the nine months ended December 31, 2004, the Company invested \$158,022 in property and equipment, compared to \$37,200 during the period in 2003. The funds were expended primarily on a piece of equipment during the second quarter to facilitate the implementation of continuous processing steps at the Winnipeg facility. Also during the second quarter, Burcon disposed of a piece of equipment that provided proceeds of about \$46,000.

Cash flows from financing activities amounted to \$104,780 for the nine months ended December 31, 2004, compared to \$4,817,473 in the same period in 2003. During the current quarter, Burcon settled the annual retainer due to directors by the issuance of 23,076 shares. During the second quarter, 15,000 stock options were exercised at \$1.40 per share and 29,070 warrants were exercised at \$1.85 per share. During the quarter ended December 31, 2003, the Company completed a private placement of 2,588,236 units at \$1.70 per unit and 40,000 stock options were exercised for \$1.40. During the quarter ended June 30, 2003, the Company completed a private placement of 500,000 units at a price of \$1.50 per unit for gross proceeds of \$750,000.

As at December 31, 2004, Burcon's working capital was \$1,586,515, compared to \$3,377,739 at March 31, 2004. Burcon does not expect to expend any significant amount on capital items for the balance of fiscal 2005 and \$165,000 over the next twelve months. Burcon's management has decided to defer indefinitely an external research project estimated to cost \$126,000. Due to the higher patent filing and maintenance activities, Burcon has revised its original forecast and expects to incur approximately \$205,000 in patent legal fees and disbursements for the remainder of fiscal 2005. Given the revised estimates, the Company's management believes that it has sufficient resources to fund its expected level of operations and working capital requirements to September 2005. This estimate excludes potential proceeds from any outstanding stock options or warrants being exercised.

Information regarding the Company's outstanding common shares and convertible securities are disclosed in notes 2 and 5 of the consolidated financial statements. As at the date of this MD&A filing, there have been no changes to the Company's outstanding common shares and convertible securities.

QUARTERLY FINANCIAL DATA

(Unaudited, in thousands of dollars, except per-share amounts)

	Quarters ended			
	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004
Interest and other income	11	13	16	23
Loss for the period	(637)	(913)	(926)	(772)
Basic and diluted loss per share	(0.04)	(0.05)	(0.05)	(0.04)

	Quarters ended			
	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003
Interest and other income	12	5	7	8
Loss for the period	(582)	(620)	(622)	(1,022)
Basic and diluted loss per share	(0.04)	(0.04)	(0.04)	(0.07)

In late fiscal 2003, Burcon restructured its management and staff to target its operational focus on finding a development partner to assist in taking its protein extraction technology to commercial production. The restructuring has reduced the losses incurred by the Company since the fourth quarter of fiscal 2003, with the higher loss incurred in the fourth quarter being attributed mainly to professional fees and travel expenses of approximately \$193,000 related to the negotiation of the ADM agreement. The increase in losses incurred in the fourth quarter of fiscal 2004 was due primarily to bonuses granted to approximately \$112,000, professional fees of about \$38,000 related to audit and human resources consulting services and higher patent legal fees and disbursements. The increase in losses incurred in the first, second and third quarters of the current fiscal year can be attributed in part to the stock-based compensation expense of approximately \$229,000, \$66,000 and \$70,000, respectively. In addition, the Company incurred \$92,000 on the Fraunhofer study and recorded the directors' annual retainer and loss on disposal of equipment in the second quarter of the current fiscal year.

RELATED PARTY TRANSACTIONS

	Quarter ended Dec. 31		Nine months ended Dec. 31	
	2004	2003	2004	2003
Management fees	\$ 13,054	\$ 19,961	\$ 52,459	\$ 72,288
Legal fees	3,040	28,510	31,850	112,462
Office and equipment rental	5,729	5,729	17,187	17,187
Consulting	180	107	955	219
	\$ 22,003	\$ 54,307	\$ 102,451	\$ 202,156

Burcon rents its head office premises from and shares certain office equipment with a company related by virtue of a common shareholder, directors and officers. The office and equipment rental amounts have been included in general and administrative expenses. In addition,

professional services of two of the Company's officers and an administrative staff member are contracted through a management agreement with this related company. Of the management fees charged, \$2,656 was included in accounts payable and accrued liabilities as at December 31, 2004 (March 31, 2004 – 3,533).

The Company also retains the legal services of a law firm in which a director is a partner. At December 31, 2004, \$1,297 (March 31, 2004 - \$7,369) of this amount was included in accounts payable and accrued liabilities.

Burcon also retains a company related by virtue of common officers for computer-related consulting services. As at December 31, 2004, \$195 (March 31, 2004 – \$nil) of this amount was included in accounts payable and accrued liabilities.

These transactions, occurring in the normal course of operations, are measured at the exchange amount by which is the amount of consideration established and agreed to by the related parties.

RISKS AND UNCERTAINTIES

There have been no significant changes to the risks and uncertainties as outlined in the Management's Discussion and Analysis for the year ended March 31, 2004 and 2003.