

Annual Report 2003

Burc**n**
A New World in Protein

Letter to Shareholders

Since acquiring BMW Canola Inc. in October 1999, Burcon has maintained a single-minded focus on commercializing our protein extraction technology. Our initial two-year development stage culminated in the successful development of a large-scale pilot production facility. Our focus then turned to partnering. The objective of partnering is straightforward: increase speed to market for our products. We believe partnering enables us to take the shortest path to revenue while minimizing execution risk by providing access to a partner's production expertise and established sales and distribution channels.

In support of this partnering strategy during fiscal 2003, Burcon focused on three items:

- Continuing to improve upon our core technology,
- Strengthening our patent portfolio, and
- Preparing documentation to facilitate strategic alliance discussions with potential industry partners. Examples include the Fraunhofer Report on our proteins' functionality, the Earth Tech Engineering Report, and the Patent Analysis Report.

These efforts were rewarded when, in March 2003, we announced the signing of a letter of intent with Archer Daniels Midland Company (ADM), a world leader in agricultural processing. The letter of intent contemplates

completing the development of the commercial process to produce Puratein and Supertein, developing commercial applications for our products, funding and construction of one or more full-scale plants, and promoting, marketing and selling Burcon's products worldwide.

ADM is one of the world's largest processors of soybeans, corn, wheat and cocoa, and is also a leader in soy meal and oil, ethanol, high fructose corn syrup and flour. Importantly, ADM is one of the largest processors of canola in the world with a global position in oilseed crushing, and is actively building a major position in speciality food ingredients. We believe that ADM is uniquely positioned to profit from our technology and to help us take Puratein and Supertein to the global market as quickly as possible.

Global market trends and forces continue to work to our advantage. Food safety issues such as mad cow disease captured front-page headlines, while obesity emerged as a boardroom concern for the major processed food companies. Both of these issues lend additional market support to our novel plant-based proteins. Moreover, the pricing and volume of high-end foods and health products continues to grow as affluent baby boomers focus more and more on their health. In short, there

appears to be considerable commercial opportunity for Burcon's products.

In closing, I would like to express my gratitude to our shareholders, our dedicated team, and our board of directors for their continued support. During the coming year, Burcon hopes to formalize a relationship with its proposed partner, and through that relationship, move closer to commercializing our exciting technology and thereby maintaining our commitment to maximizing shareholder value.



Allan Yap
Chairman and CEO

Management's Discussion and Analysis *for the year ended March 31, 2003*

OVERVIEW OF THE COMPANY AND ITS BUSINESS

Burcon NutraScience Corporation ("Burcon" or the "Company") is a research and development company developing 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 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 fiscal 2003, Burcon successfully focused on improving its core technology while strengthening its patent portfolio and preparing documentation to facilitate strategic alliances with potential industry partners.

Early in the fiscal year, Burcon filed patent applications covering ten functional properties that are expected to make Puratein and Supertein valuable ingredients in both food and non-food uses. Protein ingredients are valued by the food processing industry for their nutritional and functional

properties. However, it is the functional properties of a protein ingredient that can be the greatest determinant of value and therefore price in the marketplace. Burcon's patent application covers the use of Puratein and Supertein for the following functional properties: solubility, viscosity, water-binding, gelation, cohesion/adhesion, elasticity, emulsification, foaming, fat-binding and film-forming.

Burcon also announced that it filed a composition patent to protect Supertein, the Company's second novel canola protein isolate. This newly announced additional dominant protein has distinct functional and nutritional profiles and is expected to complement Puratein, Burcon's first protein isolate from canola. The recovery of this protein significantly increases the overall yield, thereby improving the economical viability of the Puratein-Supertein extraction process. The filing of this composition patent is important to Burcon's overall patent strategy. A composition patent is intended to protect the composition of the protein isolate itself, irrespective of how the protein isolate is manufactured or how it is used, therefore providing significant support to Burcon's patent portfolio.

Burcon announced that process improvements to its core technology would not only yield the two dominant protein fractions found in canola meal, but could also allow for the isolation and purification of phytate present in the starting canola meal. Phytates are considered anti-nutritional factors and are removed in Burcon's purification

process but are considered valuable on their own. Burcon is pursuing opportunities such as this as it may be able to derive by-product revenues from these additional phyto-chemicals. These process improvements and refinements have also provided a substantial improvement in the overall colour of the two proteins.

In an effort to identify the basic functional potential and to compare the proteins with commercial benchmarks, Burcon engaged a third party process development institution to test and analyze certain functional attributes of Puratein and Supertein. The commercial benchmarks used included milk proteins (e.g. Na-Caseinate), soy protein isolates and egg proteins (ovalbumin and egg yolk). The report indicated the following results with respect to Puratein and Supertein:

1. Chemical composition: purity is extraordinary compared to commercially available benchmarks,
2. Protein solubility: close to 100% under neutral conditions; Supertein also demonstrates extremely good solubility in an acidic setting,
3. Emulsification capacity / emulsification activity: comparable to egg yolk, and better than Na-Caseinate under certain conditions,
4. Whipping properties: Supertein has very good whipping properties even better than ovalbumin (egg-white) regarding activity, stability and density,

Management's Discussion and Analysis *for the year ended March 31, 2003*

5. Viscosity: Supertein has a stable low-level of viscosity (a valuable attribute for some food system applications as well as certain nutritional applications),

6. Gelation: Both Puratein and Supertein show better gel-forming properties and higher gel strengths than the reference soy protein used.

Although the report indicated that the water binding capacity of both Burcon's proteins, in their native form, were low, it did, however, note that this could be explained by the good water solubility of the proteins. The report noted that protein solubility and water binding capacity are functional properties that are generally opposites of one another.

Burcon also commissioned a report to determine the implied commercial feasibility of the Company's technology and to conduct a review and assessment of the economics of producing Burcon's Puratein and Supertein in a full-scale manufacturing facility. The assessment involved confirmation of existing production parameters, product (protein isolate) quality, yield and initial order of magnitude costs of operation. Although the actual cost of production can only be determined through the development of a full-scale production facility, the analysis provided estimates, which strongly imply economic viability of Burcon's technology. The implied cost of production is in line with Burcon's estimates of the cost to produce soy protein isolate, the dominant plant protein.

Burcon also retained independent legal counsel to evaluate the Company's patent portfolio and to provide an assessment of Burcon's patent strategy. The independent legal counsel reported that Burcon has, in accordance with its business strategy, developed a sound patent portfolio that broadly stakes out the territory attainable from the core inventions of the Company. The report also confirmed that Burcon has multiple levels of protection for its core technologies.

Most importantly, Burcon announced the signing of a letter of intent with Archer Daniels Midland Company (ADM) to enter into a licensing and development agreement to manufacture and market Puratein and Supertein utilizing Burcon's patented protein extraction technology. The letter of intent generally contemplates:

1. Completing the development of a commercial process

to produce Puratein and Supertein (the Products), special grades of the Products and derivative Products;

2. Developing commercial applications for the Products;

3. Funding the construction of one or more full-scale commercial plants to produce the Products; and

4. Promoting, marketing and selling the Products worldwide for all uses.

Final terms of a licensing and development agreement are subject to negotiation and the execution of definitive agreements.

QUARTERLY INFORMATION

The following tables summarize total revenues, net loss, in total and on a per share basis for the eight most recently completed quarters:

	QUARTERS ENDED			
	March 31, 2003	December 31, 2002	September 30, 2002	June 30, 2002
Interest and other income	\$8,183	\$13,458	\$18,737	\$11,606
Net loss, in total and on a per share basis (1)	\$(1,022,116)	\$(742,250)	\$(757,238)	\$(917,767)
	\$(0.07)	\$(0.05)	\$(0.05)	\$(0.07)

	QUARTERS ENDED			
	March 31, 2002	December 31, 2001	September 30, 2001	June 30, 2001
Interest and other income	\$6,775	\$16,264	\$17,677	\$26,177
Net loss, in total and on a per share basis (1)	\$(972,478)	\$(1,067,360)	\$(1,026,765)	\$(803,262)
	\$(0.08)	\$(0.08)	\$(0.08)	\$(0.07)

(1) Based on weighted average number of shares outstanding during the quarter.

RESULTS OF OPERATIONS

As Burcon is a development stage company, it has not generated revenues except for interest income. During 2003, Burcon recorded interest income of \$51,985 (2002 - \$66,893). Burcon incurred a net loss of \$3,439,371 for the year ended March 31, 2003 or \$0.23 per share as compared to \$3,869,865 or \$0.31 per share for the year ended March 31, 2002.

The following provides a comparative analysis of significant changes in major expenditure items:

Research and development

During fiscal 2003, Burcon incurred research and development (R&D) costs of \$1,956,045 (2002 - \$2,199,577). Included in this figure is equipment amortization expense of \$465,299 (2002 - \$330,569). Amortization expense increased as a result of a full year's amortization on property and equipment acquired in fiscal 2002. Other components of R&D expenses are detailed in note 6 to the consolidated financial statements. In late fiscal 2002, Burcon focused on improving its core technology, strengthening its patent portfolio and preparing documentation to facilitate strategic alliance discussions with potential industry partners. As a result of the lower research and development activity levels, total R&D expenses decreased by approximately \$243,000 primarily in laboratory operational costs and consulting costs. Analysis and testing costs also decreased from the prior year, but were offset by the added costs associated

with the third-party functionality study as noted above.

General and administrative expenses and Management fees and services

General and administrative expenses of \$958,780 (2002 - \$685,235) include salaries and office support expenses, investor relations, filing fees and travel costs. The increase of approximately \$248,000 in salaries and benefits can be attributed mainly to the full year's effect of fiscal 2002 staff additions at the head office, including the hiring of a corporate development manager, an investor relations officer and the conversion of a senior officer from consultant to employee status.

Management fees and services decreased by approximately \$116,000 due to the conversion of a corporate development manager and a senior officer from consultant to employee status in fiscal 2002.

Professional fees

The increase in professional fees of approximately \$106,000 is due primarily to the significant level of patent work undertaken during fiscal 2003 (approx. \$146,000) and also to legal and consulting costs (approx. \$156,000) associated with negotiations with ADM. The increase was partially offset by decreases in general consulting and legal fees (approx. \$113,000) and regulatory fees (approx. \$70,000).

Amortization

Amortization expense in fiscal 2002 included goodwill amortization of \$465,814. Effective April 1, 2002, Burcon

adopted the new Canadian Institute of Chartered Accountants (CICA) recommendations with respect to accounting for goodwill. Accordingly, goodwill was no longer amortized. For the year ended March 31, 2003, management assessed the fair value of the reporting unit to which the goodwill relates and compared that to its book value. As Burcon is currently a single-purpose entity, the Company is itself the sole business unit at this time. Management has used the market capitalization of Burcon as an indicator of fair value and has concluded that no impairment exists at the present time.

NEW ACCOUNTING STANDARD

Effective April 1, 2002, the Company adopted the new CICA recommendations relating to accounting for stock-based compensation. These recommendations encourage, but do not require, the fair value based method of accounting for stock-based compensation to employees. Under the fair value method, the value of a stock option is determined using an option-pricing model. The Company has elected not to adopt the fair value method of accounting for its employee stock options due to the theoretical nature of the computation. Accordingly, as disclosed in note 2 to the consolidated financial statements, Burcon has not recognized any compensation expense for stock option transactions with its employees and has disclosed the impact of applying the fair-value method on the loss and loss per share in note 5 to the consolidated financial statements.

Management's Discussion and Analysis *for the year ended March 31, 2003*

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2003, the Company completed a private placement for gross proceeds of \$3,330,000 (2002 - \$2,750,000). In addition, the exercise of warrants further provided funding of \$36,800 compared to \$35,000 in 2002 on the exercise of options. These funds have enabled Burcon to further refine its protein extraction and purification technology, pursue new related products, pursue functionality development initiatives and initiate nutrition profiling of Burcon's proteins and further accelerate its patent activities.

As at March 31, 2003, the Company had not placed orders for additional equipment and does not expect it will make significant capital acquisitions in the next fiscal year. However, the Company expects that it will require a minimum of \$150,000 within the next fiscal year for legal and other consulting expenses relating to the finalization of definitive agreements with ADM. In addition, the Company expects to incur a minimum of \$180,000 for patent legal fees and disbursements. Subsequent to the year-end, Burcon completed a private placement providing gross proceeds of \$750,000, which will fund some of these activities.

Burcon had working capital of \$750,920 (2002 - \$824,390) as at March 31, 2003. Together with the net proceeds of approximately \$688,000 from the May 2003 private placement, the Company estimates that it will have sufficient resources to fund its expected level of operations and working capital needs to at least November 2003. Additional capital, expected in the form of funding from

partnering activities and/or equity financings, will be required to pursue initiatives beyond that date.

RISK AND UNCERTAINTIES

As a research and development company, Burcon faces numerous risks and uncertainties associated with companies in the development stage. They include the areas of patent and proprietary rights, regulatory approvals, industry and market acceptance and financing requirements.

Although Burcon expends significant resources and efforts to patent its discoveries and innovations, there can be no assurances that any of Burcon's 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. Further, Burcon may need to incur significant expenditures in prosecuting claims against others whom it believes are infringing its rights and by defending claims of intellectual property infringement brought by its competitors and others.

Burcon is continuing to negotiate a licensing agreement with ADM for its technology; however, no assurance can be given that the negotiations will be successful and that a binding agreement will be entered into.

Burcon has not developed any commercial products. There can be no assurance that any of its products will meet applicable food regulatory standards, obtain regulatory approvals, receive public and industry acceptance as a

food ingredient or dietary supplement or be sold at competitive prices that adequately exceed production and business costs.

Burcon has accumulated net losses of approximately \$10 million from inception through March 31, 2003 and it expects such losses to increase as it continues its research, development and commercialization efforts. Significant resources will be required to fund its initiatives before it reaches the commercialization stage. There can be no assurances that additional financing will be available on acceptable terms.

OUTLOOK

For the coming year, Burcon's main objective is to successfully negotiate and finalize a definitive agreement with an alliance partner. In conjunction with that alliance partner, Burcon intends to initiate engineering development for its first commercial facility, conduct product application tests with industry participants, initiate feeding trials for regulatory approval of Burcon's proteins for human consumption and initiate marketing and sales strategies and the development of initial products.

In the future, Burcon will focus some of its research and development effort on non-protein based products in identifying and isolating other bio-active compounds found in canola meal. Burcon will also conduct some research on other oilseeds that could potentially utilize its existing protein extraction process.

Responsibility for Financial Reporting

The consolidated financial statements, as well as all the information in the annual report, are the responsibility of management. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods are permitted, management has chosen those considered most appropriate in the circumstances to ensure the consolidated financial statements are presented fairly, in all material respects. In addition, the consolidated financial statements include some amounts that reflect management's best estimates and judgements. Further, management ensures that all financial information in this annual report is consistent with that in the consolidated financial statements.

The company maintains a system of internal controls designed to provide reasonable assurance that the financial information is reliable, relevant, and accurate and forms the appropriate basis for the preparation of the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and is responsible for reviewing the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee meets periodically with management and the external auditors to discuss financial reporting issues, auditing matters, and to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements and the report of the external auditor prior to their presentation to the Board of Directors for approval.

The external auditors, PricewaterhouseCoopers LLP, have the responsibility to report to the shareholders of the Company on the fairness of the presentation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit and their opinion. The external auditors have full and unrestricted access to the Audit Committee.



Johann F. Tergesen
President & Chief Operating Officer



Jade Cheng
Chief Financial Officer

Auditors' Report

TO THE SHAREHOLDERS OF BURCON
NUTRASCIENCE CORPORATION

We have audited the consolidated balance sheets of Burcon NutraScience Corporation as at March 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, British Columbia
May 15, 2003

Consolidated Balance Sheets *as at March 31, 2003 and 2002*

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 939,769	\$ 1,048,073
Amounts receivable	23,121	29,688
Prepaid expenses and deposits	25,131	21,682
	988,021	1,099,443
PROPERTY AND EQUIPMENT (note 3)	1,756,319	1,833,079
DEFERRED FINANCING COSTS	30,363	24,252
GOODWILL (note 4)	1,254,930	1,254,930
	\$ 4,029,633	\$ 4,211,704
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 237,101	\$ 275,053
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)	10,902,789	9,153,542
CONTRIBUTED SURPLUS (note 5)	1,350,065	-
WARRANTS (note 5)	1,560,194	1,364,254
DEFICIT	(10,020,516)	(6,581,145)
	3,792,532	3,936,651
	\$ 4,029,633	\$ 4,211,704

NATURE OF OPERATIONS AND GOING CONCERN (NOTE 1)

SUBSEQUENT EVENTS (NOTE 11)

Approved by the Board of Directors

John Stark, Director



Johann Tergesen, Director



See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations and Deficit For the years ended March 31, 2003 and 2002

	Years ended March 31		Cumulative from inception on November 3, 1998
	2003	2002	
EXPENSES			
Research and development (notes 6 and 8)	\$ 1,956,045	\$ 2,199,577	\$ 5,286,249
General and administrative (note 8)	958,780	685,235	2,071,809
Professional fees (note 8)	487,415	381,593	1,318,176
Management fees and services (note 8)	84,469	200,341	549,155
Amortization	4,647	470,012	1,165,690
LOSS FROM OPERATIONS	(3,491,356)	(3,936,758)	(10,391,079)
OTHER INCOME			
Interest	51,985	66,893	358,695
Investment tax credit	-	-	11,868
	51,985	66,893	370,563
LOSS FOR THE YEAR	(3,439,371)	(3,869,865)	\$ (10,020,516)
DEFICIT - Beginning of year	(6,581,145)	(2,711,280)	
DEFICIT - End of year	\$ (10,020,516)	\$ (6,581,145)	
BASIC AND DILUTED LOSS PER SHARE (note 7)	\$ (0.23)	\$ (0.31)	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2003 and 2002

	Years ended March 31		Cumulative from inception on November 3, 1998
	2003	2002	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	\$ (3,439,371)	\$ (3,869,865)	\$ (10,020,516)
Items not affecting cash			
Amortization	469,946	800,581	2,071,774
Patent costs written off	-	-	4,250
	(2,969,425)	(3,069,284)	(7,944,492)
Changes in non-cash working capital items			
Amounts receivable	6,567	50,516	(14,461)
Prepaid expenses and deposits	(3,449)	77,921	(24,119)
Accounts payable and accrued liabilities	(37,952)	(12,408)	87,743
	(3,004,259)	(2,953,255)	(7,895,329)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of business	-	-	(169,191)
Acquisition of property and equipment	(393,186)	(1,503,945)	(2,569,682)
Deferred investment costs	-	-	(31,797)
	(393,186)	(1,503,945)	(2,770,670)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of capital stock	1,806,606	2,785,000	9,451,352
Issue of warrants	1,560,194	-	2,942,448
Share issue costs	(71,548)	(203,894)	(712,752)
Deferred financing costs	(6,111)	(18,003)	(30,363)
Repayment of shareholders' loans	-	-	(26,917)
	3,289,141	2,563,103	11,605,768
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(108,304)	(1,894,097)	939,769
CASH AND CASH EQUIVALENTS - Beginning of year	1,048,073	2,942,170	-
CASH AND CASH EQUIVALENTS - End of year	\$ 939,769	\$ 1,048,073	\$ 939,769
CASH AND CASH EQUIVALENTS CONSIST OF			
Cash	\$ 28,478	\$ 94,485	
Cash equivalents	911,291	953,588	
	\$ 939,769	\$ 1,048,073	
SUPPLEMENTARY INFORMATION AND DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES			
Acquisition of business	\$ -	\$ -	\$ (3,000,000)
Issue of capital stock	-	-	3,000,000
Reduction in goodwill	-	850,000	850,000
Cancellation of capital stock	-	(850,000)	(850,000)
	\$ -	\$ -	\$ -

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

1. NATURE OF OPERATIONS AND GOING CONCERN

Burcon NutraScience Corporation (Burcon or the Company) is a research and development company that is developing 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 is currently focusing its efforts on developing the world's first commercial canola proteins, Puratein® and Supertein™.

On October 8, 1999, the Company completed the acquisition of Burcon NutraScience (MB) Corp. (Burcon-MB) (formerly B.M.W. Canola Inc. (BMW)) for the total acquisition cost of \$3,193,216, that comprised the purchase price of \$3,055,000, paid by the issuance of 3.0 million common shares (note 5), and a cash payment of \$55,000, and direct acquisition costs of \$138,216. The common shares issued under the acquisition of Burcon-MB were held in escrow and eligible for release as to one-third on each of the first, second and third anniversaries of the completion of the acquisition. In addition, 1.0 million of the common shares issued under the acquisition of Burcon-MB were subject to a further escrow agreement stipulating that they would be cancelled and returned to the treasury of the Company if certain milestones were not met by Burcon-MB by October 8, 2001.

In December 2001, the independent engineering firm retained by Burcon to monitor the milestone runs conducted in September and October of 2001 reported that, although the canola protein produced by the process had met or exceeded a number of required milestone standards, certain thresholds were not achieved. Pursuant to a Settlement Agreement dated March 15, 2002, the Company and the former BMW shareholders agreed that Burcon would cancel and return to treasury 850,000 of the 1,000,000 shares issued to the former BMW shareholders. These shares were formally cancelled on April 2, 2002. A corresponding amount has been recorded as a reduction in goodwill (note 4). The remaining 150,000 shares were released from escrow in October 2002.

Since the acquisition of Burcon-MB, the Company's efforts are devoted to establishing the commercial feasibility of its protein extraction process. To date, the Company has not earned any revenues from operations and is considered to be in the development stage.

In March 2003, Burcon signed a letter of intent (LOI) to enter into a licensing and development agreement to manufacture and market Puratein® and Supertein™ (the Products) utilizing Burcon's patented extraction technology. The LOI contemplates the development of a commercial process to produce the Products, special grades of the Products and derivative Products, commercial applications for the Products, funding the construction of one or more full-scale commercial plants to produce the Products and the worldwide promotion, marketing and selling of the Products. Final terms of the transactions are subject to negotiation and execution of definitive agreements.

These financial statements were prepared using generally accepted accounting principles that are applicable to a going concern, which includes the assumption that the Company will be able to realize its assets and settle its liabilities in the normal course of business. The Company has not yet realized profitable operations and has relied on private placements to provide the financing necessary to support its research and development activities. No provision has been made in these financial statements for adjustments to the carrying value of assets and liabilities should the Company be unable to continue as a going concern. To complete current research and development activities and fund operations, the Company will require additional capital. If sufficient capital is not raised, the ability of the Company to continue operations and bring the projects to market may be impaired. Subsequent to March 31, 2003, the Company completed a private placement for \$750,000 (note 11). Management continues to review operating costs and is currently negotiating a licensing agreement that contemplates providing further financing to bring the Products into commercial production. Management believes that these actions make the use of the going concern basis appropriate; however, it is not possible at this time to predict the outcome of these actions.

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Burcon-MB and Stilts Corporation. All material intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Company provides for amortization using the following annual rates and methods:

Plant equipment	20% - 50% declining balance basis
Leasehold improvements	straight-line over term of lease
Computer equipment	30% declining balance basis

Deferred financing costs

Professional fees and other direct costs relating to financing activities are deferred and recorded as share issue costs upon completion of the financing.

Goodwill

Goodwill represents the excess at the date of acquisition of the cost of the acquired business over the fair values attributed to the underlying net tangible assets and the identifiable intangible assets. Goodwill resulting from business combinations consummated on or before June 30, 2001 was amortized on a straight-line basis over its estimated life of 7 years.

On April 1, 2002, the Company prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to accounting for goodwill and other intangible assets. In accordance with these recommendations, commencing April 1, 2002, the Company no longer amortizes goodwill that resulted from business combinations that were consummated on or before June 30, 2001. Goodwill resulting from business combinations after June 30, 2001 is also not amortized. Upon adoption of these new recommendations, and on at least an annual basis, the Company subjects goodwill to an impairment test which is based upon a comparison of the carrying amount to the fair value of the goodwill. Any impairment in the carrying amount of goodwill is charged to operations in the period such impairment is identified.

Investment tax credits

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditure which gave rise to the credits.

Research and development costs

Research costs are expensed in the period incurred. Development costs are expensed as incurred unless they meet the specific criteria for deferral as set out under Canadian generally accepted accounting principles.

Patent costs

Expenditures incurred to prepare, file and obtain patents, and to maintain existing patents, are expensed as incurred.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized in the current period for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates in future income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date. A valuation allowance is recognized to the extent it is more likely than not that future income tax assets will not be realized.

Stock-based compensation

On April 1, 2002, the Company prospectively adopted the new recommendations of the CICA related to the recognition, measurement and disclosure of stock-based compensation.

These recommendations encourage, but do not require, applying the fair value based method of accounting for stock-based compensation to employees. Under the fair value method, the value of a stock option is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock, its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option.

As permitted by these new recommendations, the Company has elected not to adopt the fair value method of accounting for its employee stock options because of the theoretical nature of the computation. Accordingly, the Company does not recognize compensation expense on the issuance of common stock options to employees because the exercise price of the stock options is equal to the market value of the common stock at the date of grant.

The Company applies the fair value based method of accounting for stock-based compensation to non-employees.

Loss per share

The Company applies the treasury stock method to calculate diluted loss per share and assumes that the proceeds from "in the money" dilutive instruments is used to purchase common shares at the average market price during the period. Basic loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. For diluted loss per common share, the denominator also includes the effect of exercising the common stock purchase warrants and stock options, only if dilutive.

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

3. PROPERTY AND EQUIPMENT

	2003		
	Cost	Accumulated amortization	Net
Plant equipment	\$ 2,478,323	\$ (789,025)	\$ 1,689,298
Leasehold improvements	154,620	(113,944)	40,676
Computer equipment	44,564	(18,219)	26,345
	<u>\$ 2,677,507</u>	<u>\$ (921,188)</u>	<u>\$ 1,756,319</u>

	2002		
	Cost	Accumulated amortization	Net
Plant equipment	\$ 2,092,005	\$ (375,861)	\$ 1,716,144
Leasehold improvements	154,620	(67,181)	87,439
Computer equipment	37,696	(8,200)	29,496
	<u>\$ 2,284,321</u>	<u>\$ (451,242)</u>	<u>\$ 1,833,079</u>

4. GOODWILL

	2003	2002
Goodwill on acquisition of business	\$ 3,260,700	\$ 3,260,700
Reduction of goodwill upon cancellation of capital stock (notes 1 and 5)	(850,000)	(850,000)
	2,410,700	2,410,700
Accumulated amortization	(1,155,770)	(1,155,770)
	<u>\$ 1,254,930</u>	<u>\$ 1,254,930</u>

5. CAPITAL STOCK

Authorized

Unlimited common shares without par value

Issued

	Number of shares	Amount
Balance - November 3, 1998 (date of incorporation)	1	\$ -
Issued during the period for cash		
Seed capital	3,500,000	350,000
Initial public offering	1,000,000	200,000
Share issuance costs	-	(75,305)
Balance - March 31, 1999	4,500,001	474,695
Issued on acquisition of Burcon-MB (note 1)	3,000,000	3,000,000
Issued during the year for cash		
On exchange offering	2,700,000	2,700,000
Options exercised	400,000	80,000
Warrants exercised	100,000	20,000
Share issuance costs	-	(320,034)
Balance - March 31, 2000	10,700,001	5,954,661
Issued during the year for cash		
On private placement	1,850,000	1,279,746
Warrants exercised	230,000	230,000
Share issuance costs	-	(41,971)
Balance - March 31, 2001	12,780,001	7,422,436
Issued during the year for cash		
On private placement	1,100,000	2,750,000
Options exercised	25,000	35,000
Share issuance costs	-	(203,894)
Cancelled (notes 1 and 4)	(850,000)	(850,000)
Balance - March 31, 2002	13,055,001	9,153,542
Issued during the year for cash		
On private placement	1,800,000	1,769,806
Warrants exercised	20,000	50,989
Share issuance costs	-	(71,548)
Balance - March 31, 2003	14,875,001	\$ 10,902,789

On February 18, 1999, the Company completed its initial public offering, qualified by a prospectus dated January 27, 1999, of 1,000,000 common shares at \$0.20 per share, for gross proceeds of \$200,000. The agent for the transaction received a commission of \$20,000 and a corporate finance fee of \$7,000 which were included in share issuance costs. The Company also granted the agent a non-transferable warrant to purchase up to 100,000 common shares in the capital of the Company at a price of \$0.20 per common share for a period of 18 months from the date the common shares commenced trading on the TSX Venture Exchange (formerly The Canadian Venture Exchange) (February 19, 1999). These warrants were exercised on March 7, 2000.

On October 8, 1999, the Company completed the exchange offering of 2.7 million common shares at \$1.00 per common share. The agent received a cash commission of 3.0% of the gross proceeds from the first 1,350,000 common shares and 7.5% on the subsequent 1,350,000 common shares and warrants (the "Agent's Warrants") to acquire 230,000 common shares in the Company. The Agent's Warrants have a term of two years from the closing of the exchange offering and may be exercised at \$1.00 per common share for the first year and at \$1.15 per common share in the second year. The Agent's Warrants were exercised on August 3, 2000. \$2,005,000 of the gross proceeds were designated to fund the commercialization of Burcon-MB's technology, with the balance towards the costs of the acquisition, exchange offering and general corporate purposes.

Private placements

In 2000, the Company completed a private placement of 1,650,000 units at \$1.36 per unit in two tranches. The first tranche of 1,275,000 units and second tranche of 375,000 units were completed on May 17, 2000 and June 29, 2000, respectively. Each unit consisted of one common share and one non-transferable share purchase warrant that entitled the holder to purchase an additional common share at \$1.84 per share expiring May 17, 2002. No commission or finder's fee was paid in connection with this placement.

On March 30, 2001, the Company completed a private placement of 200,000 units at \$2.00 per unit. Each unit consisted of one common share and one non-transferable share purchase warrant to purchase an additional common share at the price of \$2.50 per share that are exercisable for two years from the date of issue of the warrants. No commission or finder's fee was paid in connection with this placement.

During the year ended March 31, 2003, management re-evaluated the assumptions used in the option-pricing model in recording the common shares and warrants issued pursuant to the two private placements referred to above. As a result, an additional \$1,102,461 has been reclassified from capital stock to warrants as at March 31, 2002, resulting in the warrants being recognized at \$1,364,254 as at that date.

On September 6, 2001, the Company completed a private placement of 1,100,000 common shares at \$2.50 per common share for gross cash proceeds of \$2,750,000. A finder's fee of \$75,000 was paid in connection with this placement.

In May 2002, the Company completed a private placement of 1,800,000 units at \$1.85 per unit for gross proceeds of \$3,330,000. The first tranche of 1,614,394 units was completed on May 17, 2002 with the balance of 185,606 units completed on May 31, 2002. Each unit consisted of one common share and one non-transferable share purchase warrant to purchase an additional common share at the price of \$1.85 per share that are exercisable for two years from the date of issue of the warrants. Of the \$3,330,000, \$1,769,806 has been included in capital stock and \$1,560,194 has been included in warrants. No commission or finder's fee was paid in connection with this placement.

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

5. CAPITAL STOCK (CONTINUED)

Warrants

The following warrants are outstanding:

2003							
March 31, 2002	Granted	Exercised	Expired	March 31, 2003	Exercise price	Expiry date	
1,650,000	-	(20,000)	(1,630,000)	-	\$ 1.84	May 17, 2002	
200,000	-	-	(200,000)	-	\$ 2.50	March 31, 2003	
-	1,614,394	-	-	1,614,394	\$ 1.85	May 17, 2004	
-	27,500	-	-	27,500	\$ 1.85	May 24, 2004	
-	158,106	-	-	158,106	\$ 1.85	May 31, 2004	
1,850,000	1,800,000	(20,000)	(1,830,000)	1,800,000			
2002							
March 31, 2001	Granted	Exercised	Expired	March 31, 2002	Exercise price	Expiry date	
1,650,000	-	-	-	1,650,000	\$ 1.84	May 17, 2002	
200,000	-	-	-	200,000	\$ 2.50	March 31, 2003	
1,850,000	-	-	-	1,850,000			
2001							
March 31, 2000	Granted	Exercised	Expired	March 31, 2001	Exercise price	Expiry date	
230,000	-	(230,000)	-	-	\$ 1.00	October 5, 2001	
-	1,650,000	-	-	1,650,000	\$ 1.84	May 17, 2002	
-	200,000	-	-	200,000	\$ 2.50	March 31, 2003	
230,000	1,850,000	(230,000)	-	1,850,000			
2000							
March 31, 1999	Granted	Exercised	Expired	March 31, 2000	Exercise price	Expiry date	
100,000	-	(100,000)	-	-	\$ 0.20	August 21, 2000	
-	230,000	-	-	230,000	\$ 1.00	October 5, 2001	
100,000	230,000	(100,000)	-	230,000			
1999							
November 3, 1998 (date of incorporation)	Granted	Exercised	Expired	March 31, 1999	Exercise price	Expiry date	
-	100,000	-	-	100,000	\$ 0.20	August 21, 2000	

Stock option plan

The Company has a stock option plan in which all directors, officers, employees and consultants of the Company and its subsidiaries are eligible to participate. Prior to establishing the stock option plan in September 2000, the Company granted 1,300,000 options to purchase common stock of which 685,948 (2002 - 685,948) were outstanding as at March 31, 2003. The outstanding options are exercisable at prices ranging between \$1.40 to \$4.25 per common share. All options have a term of five years from the date of grant with various vesting provisions.

At March 31, 2003, 1,404,052 (2002 - 1,224,052) 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 \$1.20 and \$4.25 per common share. An additional 286,915 (2002 - 466,915) options may be granted in future years under this plan. All options have a term of 5 years from the date of grant unless otherwise determined by the board of directors. One third of the options vest and may be exercised in each of the three years after granting unless otherwise determined by the board of directors.

	2003		2002		2001	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding - Beginning of year	1,910,000	\$ 2.45	1,435,000	\$ 3.05	450,000	\$ 1.40
Granted	240,000	\$ 1.79	940,000	\$ 1.92	995,000	\$ 3.80
Exercised	-	\$ -	(25,000)	\$ 1.40	-	\$ -
Forfeited	(60,000)	\$ 2.21	(440,000)	\$ 3.32	(10,000)	\$ 4.25
Outstanding - End of year	2,090,000	\$ 2.38	1,910,000	\$ 2.45	1,435,000	\$ 3.05

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

5. CAPITAL STOCK (CONTINUED)

	2000		1999	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding - Beginning of year	400,000	\$ 0.20	-	\$ -
Granted	450,000	\$ 1.40	400,000	\$ 0.20
Exercised	(400,000)	\$ 0.20	-	\$ -
Forfeited	-	\$ -	-	\$ -
Outstanding - End of year	450,000	\$ 1.40	400,000	\$ 0.20

The following table summarizes information about stock options outstanding and exercisable at March 31, 2003:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at March 31, 2003	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at March 31, 2003	Weighted average exercise price
\$1.20 to \$1.86	870,000	2.68	\$ 1.39	545,000	\$ 1.38
\$2.00 to \$3.05	755,000	3.16	\$ 2.36	128,333	\$ 2.56
\$4.25	465,000	2.44	\$ 4.25	310,000	\$ 4.25
	2,090,000			983,333	

Had compensation cost for the Company's compensation plan been determined based on the fair value at the grant dates for awards under the plan consistent with the fair value based method of accounting for stock-based compensation, the Company's net loss and loss per share would have increased as noted in the pro forma amounts indicated below:

	March 31, 2003
Net loss	
As reported	\$ (3,439,371)
Pro forma	\$ (3,511,270)
Basic and diluted loss per share	
As reported (note 7)	\$ (0.23)
Pro forma	\$ (0.24)

The fair value of each option is estimated as at the date of grant using the Black-Scholes option pricing model. During the year, the following weighted average assumptions have been applied.

Dividend yield	0.0%
Expected volatility	85.6%
Risk-free interest rate	3.32%
Expected average option term (years)	5.0

The weighted average fair value of the options granted to employees during the year ended March 31, 2003 was \$1.28 per option.

6. RESEARCH AND DEVELOPMENT COSTS

	2003	2002
Salaries and benefits	\$ 934,098	\$ 995,220
Amortization	465,299	330,569
Laboratory operation	233,239	436,360
Analysis and testing	143,307	94,633
Travel and meals	72,854	71,598
Rent	61,948	59,553
Technical consulting	45,300	211,644
	<u>\$ 1,956,045</u>	<u>\$ 2,199,577</u>

7. LOSS PER SHARE

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

	2003	2002
Loss, being loss available to common shareholders - basic and diluted - loss per share	<u>\$ 3,439,371</u>	<u>\$ 3,869,865</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average common shares - basic loss per share	14,639,039	12,571,576
Effect of dilutive securities - common share stock options and purchase warrants*	-	-
Weighted average common shares - diluted loss per share	<u>14,639,039</u>	<u>12,571,576</u>

* For the years ended March 31, 2003 and 2002, the Company excluded the potential common share equivalents from the diluted loss per share calculation as they were considered anti-dilutive.

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

8. RELATED PARTY TRANSACTIONS

Included in research and development expenses is \$115,192 (2002 - \$139,918) for scientific consulting services, and included in general and administrative expenses is \$nil (2002 - \$18,800) for non-compete payments and rental payments to companies related by virtue of common directors and officers.

Included in general and administrative expenses for the year ended March 31, 2003, is \$20,452 (2002 - \$28,427) for the rental of office space, for secretarial services, and for equipment rental from a company related by virtue of a common shareholder, directors, and officers. Also, included in general and administrative expenses is \$1,200 (2002 - \$1,200) for e-mail and internet services provided by a company related by virtue of common directors and officers. At March 31, 2003, \$100 (2002 - \$100) of this amount is included in accounts payable and accrued liabilities.

Included in professional fees is \$44,018 (2002 - \$nil) for legal fees provided by a partnership in which a director is a partner. At March 31, 2003, \$28,494 (2002 - \$nil) was included in accounts payable and accrued liabilities. Also included in professional fees is \$1,956 (2002 - \$861) for computer consulting services provided by a company related by virtue of common directors and officers.

For the year ended March 31, 2003, included in management fees and services is \$84,469 (2002 - \$128,201) for services provided by a company related by virtue of common shareholders, directors, and officers. At March 31, 2003, \$5,632 (2002 - \$2,673) of this amount is included in accounts payable and accrued liabilities.

The Company purchased plant equipment for \$nil (2002 - \$25,427) from a company related by virtue of common officers. The amount was included in accounts payable and accrued liabilities at March 31, 2002.

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

9. INCOME TAXES

The recovery of income taxes differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates to loss for the period as follows:

	2003	2002
Recovery of income taxes based on the combined statutory income tax rate of 39.34% (2002 - 41.55%)	\$ (1,350,000)	\$(1,608,000)
Change in valuation allowance on future income tax assets	1,846,000	2,186,000
Investment tax credits	(596,000)	(1,016,000)
Difference between current and future statutory tax rates expected to apply to current year tax losses	91,000	164,000
Non-deductible amortization of goodwill	-	194,000
Non-deductible items	9,000	18,000
Change in tax rate on valuation allowance	-	62,000
Provision for income taxes	\$ -	\$ -

As at March 31, 2003, the Company has non-capital losses of approximately \$4,488,000 (2002 - \$2,822,000) available to reduce taxable income in future years. These losses expire as follows:

	2003	2002
2005	\$ 1,000	\$ 1,000
2006	22,000	22,000
2007	375,000	395,000
2008	984,000	983,000
2009	1,432,000	1,421,000
2010	1,674,000	-
	\$ 4,488,000	\$ 2,822,000

In addition, the Company has available to carry forward the following at March 31:

	2003	2002
Scientific research and experimental development expenditures	\$ 5,354,000	\$ 3,773,000
Investment tax credits	\$ 2,027,000	\$ 1,431,000

The scientific research expenditures may be carried forward indefinitely. The investment tax credits may be used to offset future income taxes otherwise payable and expire as follows:

	2003	2002
2006	\$ 6,000	\$ 6,000
2007	19,000	19,000
2008	173,000	173,000
2009	476,000	476,000
2010	301,000	22,000
2011	195,000	195,000
2012	540,000	540,000
2013	317,000	-
	<u>\$ 2,027,000</u>	<u>\$ 1,431,000</u>

The tax effects of temporary differences that give rise to future income tax assets are as follows:

	2003	2002
Future income tax assets		
Scientific research and experimental development expenditures	\$ 1,380,000	\$ 782,000
Investment tax credits	2,027,000	1,431,000
Losses from operations carried forward	1,621,000	1,023,000
Share issuance costs	164,000	129,000
Property and equipment	63,000	44,000
	<u>5,255,000</u>	<u>3,409,000</u>
Valuation allowance	<u>(5,255,000)</u>	<u>(3,409,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

Management believes the realization of income tax benefits related to these losses and other potential future income tax assets is uncertain at this time and cannot be viewed as more likely than not. Accordingly, the Company has recorded a full valuation allowance.

Notes to Consolidated Financial Statements *March 31, 2003 and 2002*

10. FINANCIAL INSTRUMENTS

Credit risk exposures

The financial instruments that potentially expose the Company to a concentration of credit risk are cash and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high quality financial institutions.

Interest rate risk exposure

All of the Company's financial instruments are non-interest bearing except for cash and cash equivalents that earn interest at variable market rates.

Fair values

The fair values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their carrying values given the short term to maturity of these instruments.

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2003:

- a) Certain employees and officers terminated their employment with the Company and 360,000 stock options were forfeited. Of the forfeited stock options, 310,000 were options granted under the Company's 2001 Stock Option Plan (the Plan) and will be eligible for re-issue in accordance with the provision of the Plan.
- b) The Company completed a private placement of 500,000 units at \$1.50 per unit for gross proceeds of \$750,000. Each unit consists of one common share and one non-transferable share purchase warrant to purchase an additional common share at the price of \$2.25 per share that are exercisable for two years from the date of issue of the warrants. The common shares and warrants issued under this placement are subject to a four-month hold period. The Company paid \$12,012 in commissions in connection with this placement.

Corporate Information



A New World in Protein

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WEBSITE

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TRANSFER AGENT & REGISTRAR

Computershare Trust Company
of Canada
510 Burrard Street
Vancouver, British Columbia
V6C 3B9

SHARE LISTING

TSX Venture Exchange
Symbol for Common Shares: BU

ANNUAL MEETING OF SHAREHOLDERS

Date:
September 17, 2003 at 10am PDT

Location:
Marriott Pinnacle Hotel
in the Kitsilano Room
1128 West Hastings Street
Vancouver, BC V6E 4R5

DIRECTORS

Allan Yap
Vancouver, British Columbia
Chairman and
Chief Executive Officer
Burcon NutraScience Corporation

Rosanna M.W. Chau ¹
Hong Kong
Managing Director
ITC Corporation Limited

Dorothy K.T. Law ²
Vancouver, British Columbia
Vice-President, Legal and
Corporate Secretary
Burcon NutraScience Corporation

Stuart MacGregor
Toronto, Ontario
President, Gradon Enterprises Inc.

John E. Stark ^{1,2}
Vancouver, British Columbia
Partner, Ogilvy Renault

Johann F. Tergesen ¹
Vancouver, British Columbia
President and
Chief Operating Officer
Burcon NutraScience Corporation

Paul S. Westdal ²
Winnipeg, Manitoba
Professional Agrologist

¹ Member of the Audit Committee

² Member of the Compensation Committee

OFFICERS

Allan Yap
Chief Executive Officer

Johann F. Tergesen
President and
Chief Operating Officer

Jade Cheng
Chief Financial Officer
and Treasurer

Michael A. Kirwan
Senior Vice-President,
Corporate Development

Dorothy K.T. Law
Vice-President, Legal and
Corporate Secretary

Randy Willardsen
Senior Vice-President, Process

This Annual Report contains forward-looking statements that relate to, among other things, plans and timing for the introduction or enhancement of our products, statements about future market conditions, supply and demand conditions, and other expectations, intentions and plans that are not historical fact. Our expectations regarding the prospect for future success depend upon our ability to develop and sell products, which we do not produce today and cannot be sold without further research and development. They are subject to a number of risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement, to reflect new information or the occurrence of future events or circumstances.

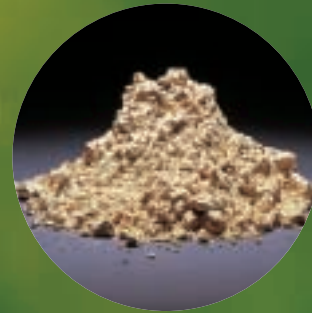
Burcon extracts and purifies two types of canola protein isolate from canola meal, a co-product of the canola seed crushing industry. Canola meal, which is relatively inexpensive, is in abundant supply and has been used as a livestock feed ingredient for many years.



Each canola plant produces yellow flowers, which in turn produce pods that are similar in shape to pea pods and about 1/5th the size. Within the pods are tiny round seeds that are crushed to obtain canola oil. After the oil is removed through processing at a canola crushing plant, the remainder of the seed (approximately 60% by weight) is canola meal.



Burcon's separation technology works gently to separate the proteins from the fibre and anti-nutritional factors found in oilseed meals. This proprietary extraction process will yield two cost-effective canola protein isolates that Burcon has branded "Puratein®" and "Supertein™".



Burcon's canola proteins demonstrate many functional qualities that are anticipated to make them useful as food ingredients. They are also expected to possess amino acid compositions comparable to certain animal proteins, which implies potential in high value nutritional applications.



Burcon's proteins are expected to rival soy, egg and dairy proteins in both nutritional effectiveness and functionality in the multi-billion-dollar protein ingredient market for use in prepared foods, nutritional products, and commercial applications. There appears to be considerable commercial opportunity for Burcon's proteins.