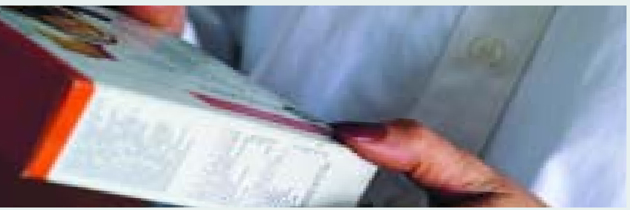
Burcon

A New World in Protein

ANNUAL REPORT 2004

Letter to Shareholders



Burcon experienced another solid year in 2004 as we made great progress towards our goal of bringing canola protein to the world. Our partnering strategy has now been fully realized with the announcement in the past year of the signing of a License and Development Agreement with Archer Daniels Midland (ADM). We believe that ADM – **A POWERFUL AND CAPABLE ALLIANCE PARTNER** – is uniquely positioned to commercialize our technology and take Puratein® and Supertein™ to the global market. Combining ADM's expertise in the production, marketing, sale and distribution of specialty food ingredients with Burcon's revolutionary protein extraction technology creates a truly exciting venture.

Shortly after signing the agreement with ADM, we announced a private placement, brokered by Dundee Securities, wherein we raised $4.4 million. We project that we now have sufficient capital to fund our development initiatives until approximately November 2005.

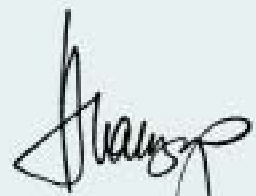
After signing the License and Development Agreement in September, Burcon and ADM's teams focused on the important process identification stage of development. Subsequent to year-end, Burcon announced that this critical milestone had been completed, and that Burcon has now delivered samples to ADM which will allow the initiation of the process to obtain regulatory recognition for canola protein as GRAS (Generally Recognized As Safe) from the US Food and Drug Administration. Provision of the samples to ADM means we are on track and on schedule for our commercialization timetable.

While Burcon made great progress on its own in the past year, we also witnessed a **GROWING DEMAND FOR PROTEIN INGREDIENTS** in general and an even greater increase in demand specifically for plant proteins. A combination of market forces, driven by such disparate elements as a resurgence of the Atkins Diet and the continuing media attention on food chain safety issues such as mad cow disease and avian bird flu, drove changes in the global market for protein ingredients in 2004. These market forces have caused significant fluctuation in the price of competing proteins, with the price of spray-dried egg white reaching record highs. High prices for existing proteins make our technology ever more desirable.

All proteins have their individual traits from which they obtain their “economic value”. In general, these value defining traits stem from two basic attributes of proteins: function and nutrition. Looking forward, we intend to conduct additional research that will focus on the unique and valuable attributes inherent in our **REVOLUTIONARY PROTEINS** to expand on their overall economic potential. As an example, during the past year we announced a research collaboration with the Fraunhofer Institute of Friesing Germany. Through this collaboration we are investigating the cholesterol lowering potential of our proteins or derivatives of our proteins. This could be very valuable, as lowered levels of the blood total cholesterol may reduce the risk of heart disease. This research can provide important growth opportunities as expanding the range of potential applications will benefit both Burcon and ADM through the increased potential for future sales of canola proteins.

In the year ahead, our team will concentrate on supporting ADM as we work to complete the development tasks before us. We will also continue to research promising applications for Puratein and Supertein and derivatives of those proteins. We project that by the time we report to you next year, we will be within one year of having our products available in the market.

In closing, I would once again like to thank our shareholders for supporting our vision of developing this rare opportunity. I also thank our board of directors, our management and our employees who have steadily moved Burcon forward as we strive to bring our technology to market. Burcon is in the enviable position of having very timely and innovative products that can earn a place in the global and expanding protein ingredient industry and we have a solid and capable alliance partner with which to accomplish our goal.



Allan Yap
Chairman and CEO

(All amounts following are expressed in Canadian dollars unless otherwise indicated.)

The following information should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2004 and related notes prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW OF THE COMPANY AND ITS BUSINESS

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.

LICENSE AGREEMENT

In fiscal 2003, Burcon announced that its primary objective for the next year would be to successfully negotiate and finalize a definitive agreement with an alliance partner. This objective was met when on September 16, 2003, Burcon entered into a license and development agreement (the Agreement) with ADM to commercialize Burcon's canola protein ingredients, including Puratein and Supertein (the Products). The Agreement outlines the process by which the two parties will carry out final development of Burcon's technology to produce Puratein and Supertein canola protein isolates, as well as special grades of the Products and derivative products. The Agreement contemplates that ADM will develop applications for the Products, obtain regulatory approvals, construct one or more full-scale production facilities and have the exclusive right to produce, promote, market and sell the Products worldwide.

Upon completion of the development period set out in the Agreement and the parties' agreement on the royalty rate and minimum royalties payable by ADM during the term of the Agreement, Burcon will grant ADM an exclusive, royalty-bearing, worldwide license to use and exploit Burcon's technology solely to make, have made, use, import and sell the Products, together with certain rights to grant sublicenses. ADM will pay Burcon royalties based on sales of Products by ADM, its affiliates, or sublicensees.

The parties have agreed to a royalty rate within a specified range based on the net revenues ADM may realize from sales of the Products. The Agreement stipulates how the parties will agree on the royalty rate, including a provision to appoint an arbitrator in the event of a deadlock in negotiations.

Under the Agreement, ADM must use its best efforts to obtain regulatory approval (Generally Recognized As Safe or "GRAS" status) from the U.S. Food and Drug Administration for the Products (the Approval Date). At any time up to the Approval Date, ADM has the right to terminate the Agreement or waive its right to do so. Until such time as ADM either achieves the Approval Date, or waives its right to terminate, all jointly developed intellectual property arising during the term of the Agreement and relating to the Burcon technology will be owned by Burcon. Thereafter, the Agreement may only be terminated by either party in the event that the royalty rate or the minimum royalties cannot be agreed to between the parties or fora material breach of the other party's obligations under the Agreement.

Burcon has obligations to maintain and prosecute its patents in certain countries specified in the Agreement as well as to defend its patents. Burcon may also enforce its patents in the event of patent infringement.

OPERATIONAL HIGHLIGHTS

During the year ended March 31, 2004, Burcon continued to focus on improving the existing processes for the production of its proteins. Burcon reviewed and made modifications to the critical parameters in its technical process in order to improve the Products. This step is important to enable consistent production and is a critical step in scaling up from a pilot to commercial level. Burcon also further improved the sensory characteristics of its canola protein isolates using various methods. In addition, Burcon investigated alternative processes to produce the Products. Further research was also conducted on input materials, including modifying and varying raw materials and refining the different units operations within those processes. Burcon also conducted research into different methods to vary or improve the functionality of the Products.

As a result of the improvements made to the Products and processes, Burcon filed four new patent applications during fiscal 2004 and one subsequent to the year-end, bringing the total to seventeen patent filings since October 1999. These new patents relate directly to the production, use and composition of Puratein and Supertein. One of the filings is intended to protect novel process changes that enable the production of the Products with significantly reduced levels of flavour and colour. This improvement is expected to allow for the application of the Products into foods with more delicate flavours. Burcon also developed an alternative process of producing canola proteins which provides a novel split of some of the naturally occurring protein sub-components found in canola. Another filing was made to protect an innovative method of producing a less pure but more economical protein isolate which could have commercial application in the production of aquaculture feed, animal feed or pet food. Burcon also filed a patent application over a process to produce sodium-free versions of the Products which may be valued by food processors who wish to produce sodium-reduced products. Lastly, Burcon filed for a patent relating to flax protein isolate production with improved protein yields.

Subsequent to the year-end, Burcon announced 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 will be investigated will be blood cholesterol lowering activity and the antioxidant activity of virgin canola proteins and partly modified canola proteins. Investigative procedures will include testing against standard food ingredients and selected pharmaceuticals as benchmarks.

In June 2004, the Company announced that, in conjunction with ADM, the two parties have completed a key milestone in the commercialization path for Puratein and Supertein. Burcon and ADM have completed the process-identification stage of development allowing the initiation of the process to obtain regulatory recognition for canola protein as GRAS from the U.S. Food and Drug Administration. Completion of this step was critical to confirm the source of canola and the processing conditions to be employed in the commercial production of canola protein. The process identification stage had been ongoing since the signing of the Agreement in September 2003 and is now complete.

As noted above, Burcon's Winnipeg facility has undergone significant modification and now incorporates new continuous processing steps. This facility was used to produce product under conditions that are intended to replicate the expected commercial processing conditions which is a critical step in obtaining regulatory recognition for Puratein and Supertein. Burcon has now provided samples to ADM to conduct toxicology feeding trials as well as to perform other health and nutrition-related testing.

INVESTOR RELATIONS

During fiscal 2004, Burcon retained Axino AG of Stuttgart, Germany, to perform investor relations and corporate communications services for Burcon in Europe. In addition, the Company retained Axino AG to assist with obtaining a listing of Burcon's shares on the Frankfurt stock exchange. In September 2003, Burcon's shares were accepted for listing and trading on the Frankfurt Stock Exchange under WKN 157793.

PRIVATE PLACEMENTS

In May 2003, the Company completed a private placement of 500,000 units at $1.50 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one non-transferable share purchase warrant exercisable at $2.25 per common share for two years from the date of issue. The proceeds were used for general working capital purposes including legal and tax advisory fees that were incurred in connection with the negotiation of the definitive licensing agreement with ADM. Burcon paid $12,012 in commissions in connection with this placement.

In November 2003, Burcon completed a private placement of 2,588,236 units at $1.70 per unit for gross proceeds of $4.4 million. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at $2.25 per share for a period of two years from the date of issue of the warrants. Proceeds from the private placement are being used for general working capital and for the Company's continued development of its canola and other protein products. The Company paid a cash commission of $255,342 and issued a common share purchase warrant to the agent who brokered this placement to purchase, for a period of twelve months from the closing, 105,009 shares at $1.90 per share. Burcon also paid cash commissions of $31,142 to other agents in relation to this placement.

CHANGE IN ACCOUNTING POLICY

Stock based compensation

On April 1, 2002, the Company prospectively adopted the recommendations of The Canadian Institute of Chartered Accountants (CICA) related to the recognition, measurement and disclosure of stock-based compensation. These recommendations encouraged, but did not require, applying the fair value based method of accounting for stock-based compensation to employees. For the period from April 1, 2002 to March 31, 2003, the Company elected not to adopt the fair value method of accounting for its employee stock options and to apply the fair value method for stock-based compensation granted to non-employees.

During 2003, the CICA amended its recommendations related to accounting for stock-based compensation. Pursuant to the amendments, the Company elected to prospectively apply the fair value method of accounting for stock-based compensation to employees for all awards granted on or after April 1, 2003. For such awards granted prior to April 1, 2003, the Company discloses the pro forma effects on the loss for the year and the loss per common share for the year as if the fair value method had been applied to those awards.

The Company uses the Black-Scholes option pricing model to calculate the fair value of the stock options granted, as well as valuing the fair value of share purchase warrants issued in private placements. The Black-Scholes pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. As the Company's stock options and share purchase warrants have characteristics that are significantly different from those of traded options, and as changes in subjective input assumptions can materially affect the fair value estimate, in management's opinion, the Black-Scholes model does not necessarily provide a reliable single measure of the fair value of its stock options and share purchase warrants.

SUMMARY OF OPERATING RESULTS

Years ended March 31 (in thousands of dollars, except per-share amounts)

	2004 $	2003 $	2002 $
Interest and other income	48	52	67
Research and development expenditures	1,331	1,956	2,200
Other expenditures	1,313	1,535	1,737
Loss for the year	(2,596)	(3,439)	(3,870)
Basic and diluted loss per share	(0.16)	(0.23)	(0.31)
Total assets	6,319	4,030	4,212
Total long-term liabilities	-	-	-
Cash dividends declared per-share	-	-	-
Weighted average shares outstanding (thousands)	16,246	14,639	12,572

RESULTS OF OPERATIONS

Burcon has not generated any revenues from its technology and is considered to be a development stage company. For the year ended March 31, 2004, the Company recorded a loss of $2,596,054 ($0.16 per share) as compared to $3,439,371 ($0.23 per share) in the prior year. The following provides a comparative analysis of significant changes in major expenditures items.

Research and development expenses

Components of research and development (R&D) expenditures are disclosed in note 6 to the consolidated financial statements. For the year ended March 31, 2004, R&D expenditures totalled $1,330,711, compared to $1,956,045 in 2003, representing a 32% decrease. Approximately one-half of R&D expenditures is comprised of salaries and benefits. In late fiscal 2003, Burcon restructured its management and staff to target its operational focus on finding a development partner or partners to assist in taking its protein extraction technology to commercial production. In addition to trimming some of the technical and supervisory staff at the Winnipeg facility, a senior management position in Vancouver was also eliminated. These changes resulted in a decrease of approximately $272,000 in salaries and benefits and therefore also in R&D for 2004 over 2003.

Amortization expense decreased by approximately $58,000 in 2004 from 2003 due primarily to applying the declining balance method of amortization on the lower unamortized balance of equipment acquired in previous years. Higher R&D activity levels in 2003 related to research work on Burcon's core technology aimed at improving colour and flavour, as well as research on isolating and purifying phytates. This resulted in lower levels of laboratory operation expenses of approximately $75,000 in 2004, primarily from a reduction in laboratory supplies purchased. Analysis and testing also decreased by approximately $134,000 in 2004, due primarily to the Fraunhofer functionality study carried out in 2003 at a cost of approximately $85,000 with the balance of the decline due to the lower overall R&D activity levels in 2004.

Travel and meals decreased by approximately $40,000 in fiscal 2004 due mainly to the elimination of a senior management research position. Technical consulting also decreased by approximately $45,000 due to the termination of an engineering contract.

General and administrative expenses

Years ended March 31 (in thousands of dollars)

	2004 $	2003 $	2002 $
Salaries and benefits	459	565	317
Investor relations	107	153	115
Office supplies and services	101	94	103
Travel and meals	41	91	83
Other	34	56	67
	742	959	685

Salaries and benefits decreased by approximately $106,000 in 2004 compared to 2003 due primarily to the elimination of a senior management position in late 2003. Investor relations expenses decreased by approximately $46,000. As noted earlier, in fiscal 2004, Burcon retained Axino AG to perform investor relations activities in Europe. Burcon paid Axino a monthly fee of EUR 2,500 for these services that totalled approximately $29,000 in fiscal 2004. In July 2004, the monthly fee paid to Axino was reduced to EUR 1,000. In addition, in 2004 Burcon incurred approximately $21,000 with respect to other investor relations activities in Europe. These new expenditures were offset by a decrease of approximately $31,000 associated with the production and printing of the annual report, decrease of about $27,000 relating to investor relations meeting costs and a decrease in public relations fees and press releases of approximately $17,000. Travel and meals decreased by approximately $50,000, due primarily to travel expenses being incurred in 2003 related to the negotiation of the ADM agreement.

Professional fee expenses

Total professional fees incurred in 2004 decreased by about $34,000 over 2003. As a result of finalizing the ADM agreement during the year, legal and consulting fees associated with the ADM agreement decreased by approximately $45,000 and $44,000, respectively. This was offset by an increase of approximately $60,000 in patent legal fees and disbursements due to increased patent filing activities and the maintenance of existing patents. Burcon incurred approximately $48,000 in consulting fees in 2004 related to human resources consulting services and the Frankfurt exchange listing, as compared to approximately $29,000 in 2003 related primarily to the economic feasibility study.

Management fees and services expenses

The increase of approximately $29,000 in management fees in 2004 over 2003 is attributed primarily to the stock-based compensation expense recorded in relation to corporate advisory services provided.

LIQUIDITY AND FINANCIAL POSITION

Financial Position

At March 31 (in thousands of dollars)

	2004 $	2003 $	2002 $
Cash and cash equivalents	3,574	940	1,048
Amounts receivable	16	23	30
Property and equipment, net of amortization	1,408	1,756	1,833
Total assets	6,319	4,030	4,212
Shareholders' equity	6,040	3,793	3,937

At March 31, 2004, the Company's cash position was $3,573,804, as compared to $939,769 at March 31, 2003. The net cash used in operations during the year ended March 31, 2004, measured in terms of cash flow from operating activities, totalled $2,127,843, as compared to $3,004,259 for the prior year. The decrease of $876,416 in net cash used in operations was due primarily to reduced research and development and general and administrative expenses as discussed in the Results of Operations section above.

The Company did not make significant capital acquisitions during the year, with capital expenditures totalling only $62,669 during fiscal 2004, as compared to $393,186 in the prior year.

Cash flows from financing activities totaled $4,824,472, compared to $3,289,141 in the prior year. Financing activities from the two private placements and the exercise of stock options during the year provided cash of $5,217,000, with issue costs of $392,528. This compares to a private placement completed in fiscal 2003 and 20,000 warrants exercised at $1.84 per share providing gross proceeds of $3,366,800, with issue costs of $77,659.

At March 31, 2004, Burcon's working capital was $3,377,739 (2003 - $750,920). Subsequent to March 31, 2004, Burcon committed to approximately $100,000 of capital acquisitions and approximately $226,000 in external research projects. For the next fiscal year, Burcon expects to incur approximately $100,000 in additional capital and one-time expenditures and approximately $300,000 in patent legal fees and disbursements. The Company's management believes that it has sufficient resources to fund its expected level of operations and working capital requirements to at least November 2005.

Information regarding the Company's outstanding common shares and convertible securities are disclosed in note 5 of the consolidated financial statements. In July 2004, Burcon had 18,052,307 common shares outstanding, 1,899,126 share purchase warrants outstanding at a weighted average exercise price of $2.23, and 2,405,000 stock options outstanding at a weighted average exercise price of $2.29 per share.

QUARTERLY FINANCIAL DATA

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

	Quarters ended			
	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
	$	$	$	$
Interest and other income	23	12	5	7
Loss for the period	(772)	(582)	(620)	(622)
Basic and diluted loss per share	(0.04)	(0.04)	(0.04)	(0.04)

	Quarters ended			
	March 31, 2003	December 31, 2002	September 30, 2002	June 30, 2002
	$	$	$	$
Interest and other income	8	13	19	12
Loss for the period	(1,022)	(742)	(757)	(918)
Basic and diluted loss per share	(0.07)	(0.05)	(0.05)	(0.07)

The losses incurred in each quarter were generally declining from the first quarter of fiscal 2003, with the exception of the fourth quarter in each fiscal year. The decline was due primarily to staff reductions in late fiscal 2003 and a lower level of R&D activity in fiscal 2004 as discussed under Results of Operations. The increase in losses incurred in the fourth quarter of fiscal 2004 was due primarily to year-end bonuses of approximately $112,000, professional fees of approximately $38,000 related to the annual audit and human resources consulting services and higher patent legal fees and disbursements. The increase in the losses incurred in the fourth quarter of fiscal 2003 was attributable mainly to professional fees and travel expenses of approximately $193,000 related to the ADM agreement.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 8 to the consolidated financial statements. The Company rents its head office premises from and shares certain office equipment with a company related by virtue of a common shareholder, directors and officers. During fiscal 2004, Burcon paid $21,652 (2003 - $21,652) to this company for the rental charges. 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 and, for the year ended March 31, 2004, Burcon paid $90,630 (2003 - $84,469) for these services. During the year ended March 31, 2004, the Company also paid $120,593 (2003 - $44,018) for legal fees to a partnership in which a director is a partner. 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.

RISKS AND UNCERTAINTIES

From time to time, the Company or its employees may provide information containing forward-looking statements that involve risks and uncertainties. These forward-looking statements 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 contained in these statements 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. When used in these statements, the words "goal,""intend," "believes" and "potential" and similar expressions, generally identify forward-looking statements. These statements reflect our current expectations. They are subject to a number of risks and uncertainties. In light of the many risks and uncertainties surrounding the development of a source of protein from canola meal, readers should be cautioned not to place undue reliance on such forward-looking statements. The Company's actual future results may differ significantly from those stated in any forward-looking statements. Factors that may contribute to or cause such differences include, but are not limited to, the following:

Development and commercialization – 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 recognition, 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.

Patent and proprietary rights – 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. Burcon cannot be assured that competitors will not independently develop products similar to the Company's products or manufacture products designed to circumvent the exclusive patent rights granted to the Company. Further, Burcon may need to incur significant expenditures in prosecuting claims against others whom it believes are infringing on its rights and by defending claims of intellectual property infringement brought by its competitors and others.

History of operating losses and financing requirements – Burcon has accumulated net losses of approximately $12.6 million from its date of incorporation through March 31, 2004 and it expects such losses to increase as it continues to work with ADM to obtain regulatory recognition for the sale of its products. Burcon expects to continue to incur additional losses before it reaches the commercialization stage. There can be no assurances that additional funding will be available on acceptable terms. Burcon cannot predict if it will ever achieve profitability and, if it does, it may not be able to sustain or increase its profitability.

Reliance on alliance partner – The success of the Company's arrangement with its alliance partner, ADM, will depend on ADM's willingness and ability to continue to fulfill its obligations under the terms of the Agreement.

OUTLOOK

In the coming year, Burcon's main objective is to support its alliance partner, Archer Daniels Midland in moving Puratein and Supertein to market. To that end, Burcon's Winnipeg Technical Centre will focus its efforts on producing larger volumes of product for use in applications work both at ADM's and at Burcon's research facilities and will continue to explore opportunities to improve upon the core products and processes. Although ADM has the ultimate responsibility over the GRAS recognition process, Burcon will assist ADM where possible. Burcon will also assist ADM in certain marketing initiatives and market research both for products and potential derivative products.

In the future, Burcon will also focus certain of its research efforts on novel applications of its proteins or derivatives of its proteins as well as opportunities to derive additional products from the waste streams generated through Burcon's protein extraction process. Some of this future research may be conducted jointly with third-party contract research organizations where Burcon does not have the capability in-house.

Management's Responsibility for Financial Reporting

The consolidated financial statements contained in this Annual Report are the responsibility of management, and have been prepared in accordance with Canadian generally accepted accounting principles and include when necessary some estimates based on management's best judgment. Financial information presented elsewhere in the Annual Report is under management responsibilities and is consistent with that contained in the accompanying financial statements.

Burcon's policy is to maintain internal accounting and administrative systems, combined with disclosure controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements through its Audit Committee, which reviews the consolidated financial statements and reports thereon to the Board of Directors. The Audit Committee meets periodically with the external auditors and management to review their respective activities and to satisfy itself that each party is properly discharging its responsibilities. The external auditors have free access to the Audit Committee, with or without management, to discuss the scope of their audits, the adequacy of the system of internal control, and financial reporting matters.

The consolidated financial statements have been reviewed by the Audit Committee and, together with the other required information in the Annual Report, approved by the Board of Directors. In addition, the consolidated financial statements have been audited by PricewaterhouseCoopers LLP, whose report is provided herein.

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, 2004 and 2003 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
May 21, 2004

Consolidated Balance Sheets As at March 31, 2004 and 2003

	2004	2003
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,573,804	$ 939,769
Amounts receivable	15,506	23,121
Prepaid expenses and deposits	66,847	25,131
	3,656,157	988,021
Property and equipment (note 3)	1,407,638	1,756,319
Deferred financing costs	-	30,363
Goodwill (note 4)	1,254,930	1,254,930
	$ 6,318,725	$ 4,029,633
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	$ 278,418	$ 237,101
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	14,650,662	10,902,789
Contributed surplus	1,350,065	1,350,065
Warrants (note 5)	2,606,430	1,560,194
Options	49,720	-
Deficit	(12,616,570)	(10,020,516)
	6,040,307	3,792,532
	$ 6,318,725	$ 4,029,633

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, 2004 and 2003

	2004	2003
EXPENSES		
Research and development (notes 5 and 6)	$ 1,330,711	$ 1,956,045
General and administrative (notes 5 and 8)	741,838	958,780
Professional fees (note 8)	453,910	487,415
Management fees and services (note 8)	113,280	84,469
Amortization	3,854	4,647
LOSS FROM OPERATIONS	(2,643,593)	(3,491,356)
OTHER INCOME		
Interest	47,539	51,985
LOSS FOR THE YEAR	(2,596,054)	(3,439,371)
DEFICIT - Beginning of year	(10,020,516)	(6,581,145)
DEFICIT - End of year	$ (12,616,570)	$ (10,020,516)
BASIC AND DILUTED LOSS PER SHARE (note 7)	$ (0.16)	$ (0.23)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows For the years ended March 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,596,054)	$ (3,439,371)
Items not affecting cash		
Amortization	411,129	469,946
Stock-based compensation expense	29,903	-
Loss on disposal of property and equipment	146	-
	(2,154,876)	(2,969,425)
Changes in non-cash working capital items		
Amounts receivable	7,615	6,567
Prepaid expenses and deposits	(21,899)	(3,449)
Accounts payable and accrued liabilities	41,317	(37,952)
	(2,127,843)	(3,004,259)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(62,669)	(393,186)
Proceeds from disposal of property and equipment	75	-
	(62,594)	(393,186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of capital stock	4,108,941	1,806,606
Issue of warrants	1,108,059	1,560,194
Share and warrant issue costs	(392,528)	(71,548)
Deferred financing costs	-	(6,111)
	4,824,472	3,289,141
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,634,035	(108,304)
CASH AND CASH EQUIVALENTS - Beginning of year	939,769	1,048,073
CASH AND CASH EQUIVALENTS - End of year	$ 3,573,804	$ 939,769
CASH AND CASH EQUIVALENTS CONSIST OF		
Cash	$ 36,796	$ 28,478
Cash equivalents	3,537,008	911,291
	$ 3,573,804	$ 939,769
SUPPLEMENTARY INFORMATION AND DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Issue of warrants for financing costs	$ 35,702	$ -

See accompanying notes to consolidated financial statements.

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. To date, the Company has not earned revenues from its technology and is considered to be in the development stage. 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 (ADM), is currently focusing its efforts on developing the world's first commercial canola proteins, Puratein®, and Supertein™. Burcon's goal is to develop Puratein and Supertein to participate with soy, dairy and egg proteins in the protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products.

On September 16, 2003, Burcon entered into a license and development agreement (the Agreement) with ADM to commercialize Burcon's canola protein ingredients, including Puratein and Supertein. The Agreement outlines the process by which the two parties will carry out final development of the technology to produce Puratein and Supertein canola protein isolates, as well as special grades of the products and derivative products. The Agreement contemplates that ADM will develop applications for the products, obtain regulatory approvals, construct one or more full-scale production facilities and have the exclusive right to produce, promote, market and sell the products worldwide.

Upon completion of the development period set out in the Agreement, Burcon will grant ADM an exclusive, royalty-bearing, worldwide license to use and exploit Burcon's technology solely to make, have made, use, import and sell products, together with certain rights to grant sublicenses. ADM will pay Burcon royalties based on sales of products by ADM, its affiliates, or sublicensees. The parties have agreed to a royalty rate within a specified range based on the net revenues ADM realizes from sales of the products. The Agreement stipulates the procedure by which the parties will agree on the royalty rate, including a provision to appoint an arbitrator in the event of a deadlock of negotiations.

Under the Agreement, ADM must use its best efforts to obtain regulatory approval (GRAS status) from the U.S. Food and Drug Administration for the products (the Approval Date). At any time up to the Approval Date, ADM has the right to terminate the Agreement or waive its right to do so. Until such time as ADM either achieves the Approval Date, or waives its right to terminate, all jointly developed intellectual property arising during the term of the Agreement and relating to the Burcon technology will be owned by Burcon.

Thereafter, the Agreement may only be terminated by either party in the event that the royalty rate or minimum royalties cannot be agreed upon by the parties or for a material breach of the other party's obligations under the Agreement.

Burcon has obligations to maintain and prosecute its patents in certain countries specified in the Agreement as well as to defend or enforce its patents.

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 may 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. During fiscal 2004, the Company completed private placements for gross proceeds of $5,150,000 (note 5). Management believes that the Company has sufficient resources to fund working capital to at least November 2005. The Company continues to work with ADM 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Burcon NutraScience (MB) Corp. 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

Impairment of long-lived assets

The Company reviews property and equipment assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on property and equipment assets are measured as the amount by which the carrying value of an asset or asset group exceeds its fair value, as determined by the discounted future cash flows of the asset or asset group.

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 is not amortized.

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.

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 on 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 recommendations of the CICA related to the recognition, measurement and disclosure of stock-based compensation.

These recommendations encouraged, but did 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.

For the period from April 1, 2002 to March 31, 2003, the Company elected not to adopt the fair value method of accounting for its employee stock options and to apply the fair value method for stock-based compensation granted to non-employees.

During 2003, the CICA amended its recommendation related to accounting for stock-based compensation. Pursuant to the amendments, the Company elected to prospectively apply the fair value method of accounting for stock-based compensation to employees for all awards granted on or after April 1, 2003. For such awards granted prior to April 1, 2003, the Company discloses the pro forma effects on the loss for the year and the loss per common share for the year as if the fair value method had been applied to those awards.

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 are 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.

3 PROPERTY AND EQUIPMENT

2004	Cost	Accumulated amortization	Net
Plant equipment	$ 2,538,848	$ (1,150,749)	$ 1,388,099
Leasehold improvements	154,620	(154,620)	-
Computer equipment	45,687	(26,148)	19,539
	$ 2,739,155	$ (1,331,517)	$ 1,407,638

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
	$ 2,677,507	$ (921,188)	$ 1,756,319

4 GOODWILL

	2004	2003
Goodwill on acquisition of business	$ 3,260,700	$ 3,260,700
Reduction of goodwill upon cancellation of capital stock	(850,000)	(850,000)
	2,410,700	2,410,700
Accumulated amortization	(1,155,770)	(1,155,770)
	$ 1,254,930	$ 1,254,930

5 CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

Issued

	Number of shares	Amount
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
Issued during the year for cash		
On private placements	3,088,236	4,041,941
Options exercised	45,000	67,000
Share issuance costs	-	(361,068)
Balance - March 31, 2004	18,008,237	$ 14,650,662

Private placements

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.

In May 2003, the Company completed a private placement of 500,000 units at $1.50 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one non-transferable share purchase warrant exercisable at $2.25 per common share for two years from the date of issue of the warrants. Of the $750,000, $438,732 has been included in capital stock and $311,268 has been included in warrants. Burcon paid $12,012 in commissions in connection with this placement.

In November 2003, Burcon completed a private placement of 2,588,236 units at $1.70 per unit for gross proceeds of $4,400,000. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at $2.25 per share for a period of two years from the date of issue of the warrants. Of the $4,400,000, $3,603,209 has been included in capital stock and $796,791 has been included in warrants. The Company paid a cash commission of $255,342 and issued a common share purchase warrant to the agent who acted on this placement to purchase, for a period of twelve months from the closing, 105,009 shares, at $1.90 per share. The fair value of the agent's warrant was $35,702 and has been included in warrants. Burcon also paid cash commissions of $31,142 to other agents in relation to this placement.

On Burcon's private placements completed during the year ended March 31, 2004, 720,810 units aggregating $1,198,457 (2003 - 406,353 units aggregating $751,753) were subscribed to by directors and officers and 660,000 units aggregating $1,122,000 (2003 - 460,000 units aggregating $851,000) were subscribed to by a shareholder with a 25% interest in the Company.

The fair value of the warrants is estimated using the Black-Scholes pricing model.

Warrants

The following warrants are outstanding:

2004

March 31, 2003	Granted	Exercised	Expired	March 31, 2004	Exercise price	Expiry date
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
-	105,009	-	-	105,009	$ 1.90	Nov. 26, 2004
-	500,000	-	-	500,000	$ 2.25	May 1, 2005
-	1,294,117	-	-	1,294,117	$ 2.25	Nov. 26, 2005
1,800,000	1,899,126	-	-	3,699,126		

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		

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 630,948 (2003 - 685,948) were outstanding as at March 31, 2004. The outstanding options are exercisable at prices ranging between $1.40 to $4.25 per common share. The options have a five-year term from the date of grant and have all vested.

At March 31, 2004, 1,174,052 (2003 - 1,404,052) 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 836,915 (2003 - 286,915) options may be granted in future years under this plan. The options have a term of five 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.

	2004		2003	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding - Beginning of year	2,090,000	$ 2.38	1,910,000	$ 2.45
Granted	275,000	$ 2.65	240,000	$ 1.79
Exercised	(45,000)	$ 1.49	-	$ -
Forfeited	(515,000)	$ 2.26	(60,000)	$ 2.21
Outstanding - End of year	1,805,000	$ 2.48	2,090,000	$ 2.38

The following table summarizes information about stock options outstanding and exercisable at March 31, 2004:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at March 31, 2004	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at March 31, 2004	Weighted average exercise price
$1.20 - $1.86	765,000	1.53	$ 1.41	598,333	$ 1.38
$2.00 - $3.50	575,000	2.42	$ 2.46	305,000	$ 2.37
$4.25	465,000	1.44	$ 4.25	465,000	$ 4.25
	1,805,000			1,368,333	

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:

	2004	2003
Loss for the year		
As reported	$ (2,596,054)	$ (3,439,371)
Pro forma	$ (2,668,716)	$ (3,511,270)
Basic and diluted loss per share		
As reported (note 7)	$ (0.16)	$ (0.23)
Pro forma	$ (0.16)	$ (0.24)

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

	2004	2003
Dividend yield	0.0%	0.0%
Expected volatility	71.3%	85.6%
Risk-free interest rate	3.1%	3.3%
Expected average option term (years)	2.3	5.0

The weighted average fair value of the options granted during the year ended March 31, 2004 was $0.66 (2003 - $1.26) per option.

Included in research and development expenses is $7,253 (2003 - $nil) of employee compensation costs resulting from stock-based compensation awards. Included in general and administrative expenses is $22,650 (2003 - $nil) and included in prepaid expenses and deposits is $19,817 (2003 - $nil) of consulting costs settled by way of stock options.

6 RESEARCH AND DEVELOPMENT

	2004	2003
Salaries and benefits (note 5)	$ 661,921	$ 934,098
Amortization	407,275	465,299
Laboratory operation	157,785	233,239
Rent	62,137	61,948
Travel and meals	32,524	72,854
Analysis and testing	9,069	143,307
Technical consulting	-	45,300
	$ 1,330,711	$ 1,956,045

7 LOSS PER SHARE

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

	2004	2003
Loss for the year, being loss available to common shareholders - basic and diluted - loss per share	$ 2,596,054	$ 3,439,371
	Shares	Shares
Weighted average common shares - basic loss per share	16,246,124	14,639,039
Effect of dilutive securities - common share stock options and purchase warrants*	-	-
Weighted average common shares - diluted loss per share	16,246,124	14,639,039
Basic and diluted loss per share	$ (0.16)	$ (0.23)

*For the years ended March 31, 2004 and 2003, the Company excluded the potential common share equivalents from the diluted loss per share calculation as they were considered anti-dilutive.

8 RELATED PARTY TRANSACTIONS

Included in general and administrative expenses for the year ended March 31, 2004 is $21,652 (2003 - $21,652) for the rental of office space, for services, and for equipment rental from companies related by virtue of a common shareholder, directors, and officers.

Included in professional fees is $120,593 (2003 - $44,018) for legal fees provided by a partnership in which a director is a partner. At March 31, 2004, $7,369 (2003 - $28,494) of these fees was included in accounts payable and accrued liabilities.

For the year ended March 31, 2004, included in management fees and services is $90,630 (2003 - $84,469) for services provided by a company related by virtue of common shareholders, directors, and officers. At March 31, 2004, $3,533 (2003 - $5,632) of this amount is included in accounts payable and accrued liabilities.

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 year as follows:

	2004	2003
Recovery of income taxes based on the combined statutory income tax rate of 36.92% (2003 - 39.34%)	$ (958,000)	$ (1,350,000)
Change in valuation allowance on future income tax assets	1,053,000	1,638,000
Investment tax credits	(59,000)	(388,000)
Difference between current and future statutory tax rates expected to apply to current year loss	8,000	91,000
Non-deductible items and tax adjustments	(44,000)	9,000
Provision for income taxes	$ -	$ -

As at March 31, 2004, the Company has non-capital losses of approximately $6,180,000 (2003 - $4,488,000) available to reduce taxable income in future years.
These losses expire as follows:

2005	$ 1,000
2006	22,000
2007	375,000
2008	984,000
2009	1,432,000
2010	1,797,000
2011	1,569,000
	$ 6,180,000

In addition, the Company has scientific research and experimental development expenditures of $5,934,000 (2003 - $5,354,000) available to carry forward indefinitely.

The investment tax credits of $2,119,000 (2003 - $2,027,000) may be used to offset future income taxes otherwise payable and expire as follows:

2005	$ 6,000
2007	19,000
2008	166,000
2009	449,000
2010	260,000
2011	305,000
2012	508,000
2013	273,000
2014	133,000
	$ 2,119,000

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

	2004	2003
Future income tax assets		
Scientific research and experimental development expenditures	$ 1,713,000	$ 1,380,000
Investment tax credits	1,377,000	1,318,000
Losses from operations carried forward	2,232,000	1,621,000
Share issuance costs	177,000	164,000
Property and equipment	100,000	63,000
	5,599,000	4,546,000
Valuation allowance	(5,599,000)	(4,546,000)
	$ -	$ -

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.

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, 2004:

a) An employee terminated their employment with the Company and 10,000 stock options were forfeited. These options will be eligible for re-issue in accordance with the provision of the 2001 stock option plan.

b) 15,000 stock options were exercised for gross proceeds of $21,000.

c) The Company granted 635,000 stock options to employees that are exercisable at $1.72 per share.

d) 29,070 warrants were exercised at $1.85 per share. The balance of 1,770,930 warrants that were issued in the May 2002 private placement expired unexercised. As a result, $1,534,996 was reclassified from warrants to contributed surplus.

Corporate Information

A New World in Protein

CORPORATE OFFICE
1946 West Broadway
Vancouver, British Columbia V6J 1Z2
Tel: (604) 733-0896
Fax: (604) 733-8821

TECHNICAL CENTRE
Burcon NutraScience (MB) Corp.
Winnipeg, Manitoba

WEBSITE
www.burcon.ca

INVESTOR RELATIONS
Michael Kirwan
Tel: (604) 684-6222
Email: mkirwan@burcon.ca

Sven Olsson (Europe)
Axino AG
Tel: +49-711-25 35 92-30
Email: olsson@axino.de

AUDITORS
PricewaterhouseCoopers LLP
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7

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

Frankfurt Stock Exchange
Symbol for Common Shares: WKN 157793

ANNUAL MEETING OF SHAREHOLDERS
Date:
September 14, 2004 at 10am PDT
Location:
Morris J. Wosk Centre for Dialogue
580 West Hastings Street
Vancouver, BC V6B 5K3

DIRECTORS
Allan Yap
Hong Kong
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, MacGregor Equities 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.

www.burcon.ca