



BlueOcean NutraSciences Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended March 31, 2017

May 26, 2017

BlueOcean NutraSciences Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended March 31, 2017

This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to BlueOcean NutraSciences Inc. (“BOC” or the “Company”) as at May 26, 2017. This Interim MD&A is based on information available to BOC and updates disclosure previously provided in the Company’s Annual and interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three months ended March 31, 2017 and 2016 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2016 and 2015 (the “Audited Consolidated Financial Statements”). Both the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com or on the Company’s website at www.blueoceannutra.ca.

Management is responsible for establishing and maintaining adequate internal control over the Company’s financial reporting.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings*) (“NI 52-109”), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (“DC&P”) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This document contains “forward-looking statements” which may include, but are not limited to, statements with respect to the future financial or operating performance of BOC or future events related to BOC which reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect BOC’s current internal projections, expectations or beliefs and are based on information currently available to BOC. Often, but not always, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, “believe”, “predict”, “potential”, “continue”, “budget”, “schedule”, “estimate”, “forecast” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ materially from those anticipated in such statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; changes in project parameters as plans continue to be refined; changes in labour costs and other costs of materials, equipment or processes to operate as anticipated; accidents, labour disputes and other risks and delays in obtaining governmental approvals or financing or in the completion of research and development activities. Although BOC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Interim MD&A and, unless otherwise required by applicable securities laws, BOC disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

BlueOcean NutraSciences Inc.

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General

BlueOcean NutraSciences Inc. ("BOC" or the "Company") was incorporated under the provisions of the Business Corporations Act (Ontario) on September 17, 2010. The Company is a producer and marketer of natural specialty oils targeted at the health and wellness industry. Proper use of primary ingredients in these specialty oils in end products for human consumption has been clinically proven to improve heart, eye, brain and joint health.

The Company has developed two natural specialty-oil product platforms and one extended-release Omega-3 tablet manufacturing platform:

Shrimp oil platform: The Company has secured a processor on an exclusive long term basis to extract high phospholipid and astaxanthin rich Omega-3 oil derived from certain wild North Atlantic and South Pacific Ocean shrimp by-products. This shrimp oil has superior astaxanthin product properties to krill oil, delivering the above-noted organ and joint health. The Company has obtained a licence from Neptune Technologies & Bioresources Inc. to sell its shrimp oil globally.

Algal oil platform: The Company is pursuing joint ventures, licences as well as sales of a high-value Omega-3 rich algae oil extracted from rapidly growing selected micro algae strains using its proprietary gas infusion technology that delivers physical and mental health benefits from vegan algae oils.

Omega-3 tablets and gel-caps platform: After having received its Health Canada Natural Product Numbers ("NPN") in July 2016, the Company is selling its commercial XR shrimp tablets as well as regular strength and extra strength shrimp oil gel caps on amazon.com, vitaminworld.com, luckyvitamins.com, inboxfitness.com and purepolarshrimp.com and expects to soon be in a number of Canadian and US stores and pharmacies.

The registered and head office of the Company is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1.

The Unaudited Interim Consolidated Financial Statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. They consolidate the accounts of the Company and all its subsidiaries. The Company has the following inactive, wholly-owned subsidiaries: Pure Polar Canada Inc. (formerly, Solutions4CO₂ Technologies Inc.), BlueOcean Shrimp Products Inc. (formerly, S4CO₂ Services Inc.), Asta NutraSciences Inc. (formerly, S4CO₂ Manufacturing Inc.), BlueOcean Algae Inc. (formerly, Solutions4CO₂ (SJV) Limited), Solutions4CO₂ USA, Inc., Pure Polar Labs Inc. ("Pure Polar") and 70717 Newfoundland and Labrador Limited ("70717"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on May 24, 2017.

Financial condition

As at March 31, 2017, the Company had assets totaling \$513,989 and a shareholders' deficit of \$365,074. This compares with assets of \$1,031,525 and a shareholders' equity of \$123,135, as at December 31, 2016.

During the quarter ended March 31, 2017, the Company's net assets decreased by \$488,209, the result of a decrease in assets of \$517,536, offset by an increase in liabilities of \$29,327. The decrease in assets was the result of a decrease in cash of \$541,632 (cash used in operations of \$506,586 plus cash used for financing activities of 35,046), decreases in prepaid expenditures of \$87,316, both offset by an increase in HST recoverable and inventory of \$1,350 and \$110,062, respectively.

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The decrease in liabilities of \$29,327, resulted from decreases to accounts payable and accrued liabilities of \$2,673 supplemented by a decrease in amounts due to related parties in the amount of \$35,046. These decreases were offset by an increase to the onerous contract (for accreted non-cash interest) of \$8,392.

Performance

Operations

During the current quarter, the Company's net sales returns of \$4,690, were the result of sales of its Pure Polar Omega-3 Shrimp Oil products sold through BOC's now 100%-owned consumer brands subsidiary, Pure Polar Labs, Inc. offset by sales returns of \$7,925 for 50% of a 100 kg, bulk shrimp-oil sale made in late 2016. The Company has strategically shifted away from all bulk-oil sales to focus on higher margin finished retail products such as shrimp oil soft gel and extended-release tablets sold either under the Pure Polar brands or via private label.

During 2016 and the first quarter of 2017, the Company had limited quantities of finished retail products, so it did not actively market them to mitigate the risk of product sell-out. From the bulk-oil produced in 2016, a portion is now being converted into new 2017 finished products with upgraded packaging and product specifications. Upon completion, the Company will directly market more aggressively to consumers.

During the first quarter of 2017, the Company continued its sales process with retail chains and distributors throughout North America and in January 2017, it announced its updated corporate strategy and marketing developments post the close of its successful \$2.5 million private placement. With funding in place for both manufacturing and marketing of the Company's broadening suite of shrimp-oil based supplements, it announced (i) an upgraded product line with improved formulas and packaging; (ii) two additional brands, SportAX™ and JointAX™ targeted at the large sports and fitness and joint-supplement markets; (iii) the acquisition of the remaining ownership of Pure Polar Labs, Inc., thereby taking control of its retail fulfillment business to drive maximum value for BOC shareholders; (iv) the retention of the marketing services that would focus on the Company's media marketing strategies; (v) the successful implementation of its complete production value chain including third-party shrimp shell feedstock relations and patented shrimp-oil processing, consumer brands product encapsulation and packaging and sales fulfillment, all supported by its marketing strategy to drive sales of its various consumer shrimp oil brands and (vi) a corporate reorganization with the appointment of Sam Kanen, founding director of BOC, to the role of VP Strategy and Investor Relations and the promotion of Dil Vashi to Vice President of Business Operations.

Later in January 2017, the Company announced the appointment of Dr. Marvin Heuer to its board of directors. An internationally accomplished medical research physician and executive with more than 30 years' experience in international and domestic clinical research, pharmaceutical and nutraceutical development, Dr. Heuer's experience will provide invaluable insight for the Company's retail portfolio expansion. Dr. Heuer was subsequently appointed as the Company's President and CEO on March 1, 2017.

In February 2017, the Company announced that it had restarted its dormant algae gas infusion subsidiary targeting commercial Omega-3 and astaxanthin-based algae companies whose algae wellness products perfectly complement the Company's astaxanthin and Omega-3 rich shrimp oil wellness products. The investigations of these target companies will be done utilizing minimal BOC capital or other resources.

On May 1, 2017, the Company announced that it had entered into a distribution agreement for its Pure Polar® Double Strength and SportAX™ products with AKiN's and Chamberlin's, a US natural foods grocery chain. The products are expected to be available in AKiN's and Chamberlin's by late May 2017.

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Corporate

Issuance of options

During the 3 months ended March 31, 2017, the Company issued a total of 2,261,506 options to participants of the Company's stock option plan (the "Plan"). The following chart provides details of the options that were issued during the quarter:

Expiry date	Exercise price (\$)	Number	Grant-date fair value (\$)
12-Jan-22	0.140	714,284	90,000
19-Jan-22	0.135	222,222	27,000
20-Jan-22	0.135	675,000	71,000
24-Jan-22	0.135	100,000	11,000
24-Feb-17	0.150	550,000	73,000
Total		2,261,506	272,000

Forfeiture of options

During the quarter ended March 31, 2017, 5,500 options with a maturity dates of January 1, 2024 and 2025 and exercise prices of \$3.00 and \$1.00, respectively, were forfeit by former Plan members no longer eligible to participate in the Plan.

Expiry of warrants

On April 17, 2017, 500,000 warrants with an exercise price of \$1.50, expired.

Commitments, liquidity and capital resources

Assignment of Lease termination from TransAlta Generation Partnership ("TransAlta")

As disclosed in previous MD&A's, on October 12, 2016, the Company received from, and subsequently acknowledged to, TransAlta a notice of assignment of the Termination Agreement from TransAlta to Pathfinder Asset Management Limited ("PAML"). Other than the change of lender from TransAlta to PAML, the terms of the Termination Agreement and the Termination Amount, remain unchanged.

As of the date of this Interim MD&A, the Company is in discussions with PAML that it is further assigning one-half of of the Termination Amount from PAML to other third-parties (the "Assignees") and the Company is in discussion with the Assignees to settle this debt with the issuance of shares with a deemed share price of \$0.115 per share. If approved by the TSXV, this settlement would result in the issuance of 2,791,301 common shares.

Furthermore, the Company and PAML are in discussions to reduce the remaining \$321,000 of the Termination Amount (such amount being non-interest bearing), to a \$200,000 interest-bearing, secured (over assets of the Company and its subsidiaries) debt, with the terms currently being negotiated.

Related-party transactions and balances

The Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

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Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, chief executive officer, chief financial officer and vice president of operations (2017 only). Related-party compensation paid or payable to key management is detailed below:

3 months ended	March 31, 2017	March 31, 2016
	\$	\$
Compensation to key management	70,650	30,000
Consulting fees to key management	30,000	30,000
Legal fees to key management	6,602	-
Share-based payments	129,127	16,778

As at March 31, 2017, \$8,883 (December 31, 2016 - \$43,929) is owed to officers or directors of the Company or entities controlled by them.

Outstanding securities

As at the date of this Interim MD&A, the Company has the following securities outstanding:

<u>Security</u>	<u>Number outstanding</u>
Common shares	28,687,815
Options	2,844,762
Warrants	22,153,303
Finder's Warrants	874,615
Corporate Finance Warrants	436,278