**BlueOcean NutraSciences Inc.**

**Interim Management's Discussion and Analysis**

**Quarterly Highlights**

**Three months ended September 30, 2016**

**November 23, 2016**

# BlueOcean NutraSciences Inc.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
## QUARTERLY HIGHLIGHTS
## Three months ended September 30, 2016

*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 November 23, 2016. 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 and nine months ended September 30, 2016 and 2015, the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014 (altogether the "Consolidated Financial Statements"). The 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](http://www.sedar.com) or on the Company's website at [www.blueoceannutra.ca](http://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. The reader is also directed to see the "Other risk factors – Material weakness in internal controls" section of this MD&A.

### *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; delays in obtaining governmental approvals or financing or in the completion of research and development activities; and, the factors discussed in the ***Risks and uncertainties*** section of this MD&A. 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 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.

## *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 Omega3 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 Omega3 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 license (the "License") from Neptune Technologies & Bioressources Inc. to sell its shrimp oil in North America and Australia.

***Algal oil platform***: The Company is pursuing joint ventures, licenses as well as sales of a high-value Omega3-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.

**Extended-release ("XR") Omega3 tablet platform:** 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, after having received its Health Canada NPN numbers in July, 2016.

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

The Consolidated Financial Statements consolidate the accounts of the Company and all of its subsidiaries. The Company has the following inactive, wholly owned subsidiaries: Solutions4$CO_2$ Technologies Inc., BlueOcean Shrimp Products Inc., Asta NutraSciences Inc., Solutions4$CO_2$ (SJVB) Limited and Solutions4$CO_2$ USA, Inc. and 70717 Newfoundland and Labrador Limited ("70717"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are all entities controlled by the Company.

As at September 30, 2016, the Company has a 50%-equity stake in 2453969 Ontario Inc. ("2453969") and a 33.33% interest in Pure Polar Labs Inc. ("Pure Polar"). For the 9 months ended September 30, 2016, the Company has taken impairment charges of $1,201 (2015 - $nil) and $1,200 (2015 - $nil), respectively, on the value of its equity investments in 2453969 and Pure Polar, reducing the investments to zero. For the year ended December 31, 2015, the Company took impairment charges of $12,442 and $44,011, respectively. The Company accounts for these arrangements using the equity method in accordance with IFRS 11 *'Joint Arrangements'.* As both of these joint ventures have had negligible operations, the Company has taken an impairment on both of these investments and as such, has not reflected any equity investments in joint ventures on its statements of financial position.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 23, 2016.

# *Financial condition and performance*

## *Financial condition*

During the quarter ended September 30, 2016, the Company's net assets decreased by $172,406, the result of a decrease in assets of $135,989, supplemented by an increase in liabilities of $36,417. The decrease in assets was the result of a decrease in cash of $80,272 (resulting from the proceeds of financing activities of $49,732 less operating activities of $130,004), decrease in HST recoverable of $51,518 and a decrease in prepaid expenses of $4,199.

The increase in liabilities of $36,417, resulted from increases to the onerous contract (for accreted interest) of $12,598 plus increases to accounts payable and amounts due to related parties totaling $6,589. The remaining increase to liabilities of $17,250, was the result of accrued interest on the promissory notes (see note 12 of the Consolidated Financial Statements).

## *Operations*

In September 2016, the Company announced that its Pure Polar© Omega-3 Shrimp Oil products would be made available to consumers at 30 select Vitamin World stores on the east and west coast of the United States as well as on-line at VitaminWorld.com.

In July 2016, the Company announced that it had received its first order of 100 kg of Northern AstaShrimp oil from a French company. Also in July 2016, the Company announced the distribution of its Pure Polar© Omega-3 Shrimp Oil products with Lucky Vitamin, a GNC-owned leading e-commerce supplement store with distributions throughout Canada and the United States.

## *Corporate*

### *Share consolidation and option re-pricing*

At its annual general and special meeting of the shareholders (the "ASM") held on September 21, 2016, the Company received shareholder approval to consolidate its shares on a one-for-ten basis (the "Consolidation"), such Consolidation taking effect on September 27, 2016. At the ASM, the Company's disinterested shareholders also approved the repricing of all outstanding post-Consolidation options to $0.15 each (the "Re-pricing"), being the closing price of the Company's common shares on September 27, 2016. The outstanding number of common shares, options and warrants have all been adjusted to reflect the consolidation along with their respective exercise prices. After affecting the Consolidation, all of the outstanding options (totalling 573,756) were amended to reflect an exercise price of $0.15, being the closing price of the Company's shares on September 27, 2016.

### *Non-brokered private placement*

In October 2016, the Company announced a non-brokered private placement (the "Offering") that would see it issue a maximum of 27,739,130 units (each a "Unit") for up to $2,500,000 in gross proceeds. Each Unit consists of 1 common share and 1 share purchase warrant (each a "Warrant"). Each Warrant is exercisable into 1 common share at a price of $0.20 for a period of 2 years after closing. With regard to the Offering, the Company will pay an 8% cash fee together with the issuance of 8% finders' warrants (each a "Finder's Warrant") to eligible finders. The Company will also pay a cash corporate finance fee of 2% along with issuing 2% corporate finance warrants (each a "Corporate Finance Warrant"). Each Finder's Warrant and each Corporate Finance Warrant may be exercised into 1 common share for $0.115, for a period of 2 years after closing.

On October 12, 2016, the Company closed tranche 1 of the Offering, issuing 10,869,730 Units and raising gross proceeds of $1,250,019. The Company paid cash finders' fees of $37,692 and issued 327,760 Finder's Warrants. The Company also paid cash corporate finance fees of $25,000 and issued 217,395 Corporate Finance Warrants.

On October 26, 2016, the Company closed tranche 2 of the Offering, issuing 5,720,220 Units, raising gross proceeds of $657,825. The Company paid cash finders' fees of $45,322 and issued 394,108 Finder's Warrants. The Company also paid cash corporate finance fees of $13,157 and issued 114,404 Corporate Finance Warrants.

Tranche 3 (the final tranche) of the Offering will close on or before December 12, 2016.

***Promissory notes***

In October 2016, the Company repaid $544,000 to extinguish the promissory notes and all applicable interest due thereon.

***License fees***

In October 2016, the Company paid its annual license fees totalling US$250,000.

## *Performance*

As at September 30, 2016 the Company had assets totaling $49,774 and a shareholders' deficit of $1,126,973. This compares with assets of $142,742 and a shareholders' deficit of $484,927, as at December 31, 2015.

### *Commitments, liquidity and capital resources*

***Commitments***

The Company does not have any direct space-rental commitments as office facilities are provided, as needed, through its contract with RG Management Services Inc. ("RGMS"). See the ***Transactions with related parties*** section of this MD&A.

***Lease termination with TransAlta Generation Partnership ("TransAlta")***

As disclosed in previous MD&A's, during the second quarter of 2015, the Company completed negotiations with TransAlta and entered into a lease termination agreement (the "Termination Agreement") regarding its leased facilities at Bluewater Energy Park. The Termination Agreement fixed the remaining amount payable by the Company to TransAlta pursuant to the lease at $647,700 (the "Termination Amount"). The Termination Amount was to be repaid in equal monthly instalments of $26,988 over a two-year period, commencing on January 1, 2016.

On January 1, 2016, the Company defaulted on Termination Agreement by failing to make the required first repayment of $26,988. In January 2016, the Company made a $5,000 payment against amounts owing under the Termination Agreement but has made no further payments thereunder. As of the date of this MD&A, the Company has defaulted on a total of $291,868.

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.

## *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.

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 and the chief financial officer (through payments to RGMS). Related-party compensation paid or payable to key management is detailed below:

| | 3 months ended | | 9 months ended | |
|---|---|---|---|---|
| | **Sept. 30, 2016** | Sept. 30, 2015 | **Sept. 30, 2016** | Sept. 30, 2015 |
| Transactions: | **$** | $ | **$** | $ |
| Compensation | **62,600** | 30,000 | **157,801** | 90,000 |
| Consulting fees | **30,000** | 30,000 | **90,000** | 95,000 |
| Legal fees | **-** | 6,420 | **4,716** | 7,298 |
| Share-based payments | **180** | (4,801)[1] | **17,474** | 121,427 |

[1]The 3-month negative expenditure during comparative period resulted from the revaluation of options issued for variable-based compensation that are revalued at each reporting period until expiry or vesting conditions have been met.

As at September 30, 2016, $71,321 (2015 - $11,557) is owed to officers or directors of the Company or entities controlled by them.

As at September 30, 2016, $18,849 (December 31, 2015 - $18,849) is owned by employees of the Company for loans advanced to them.

## *Outstanding securities*

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

| Security | Number outstanding |
|---|---|
| Common shares | 23,463,869 |
| Options | 573,756 |
| Warrants | 11,709,137 |
| Finder's Warrants | 721,868 |
| Corporate Finance Warrants | 331,799 |