BlueOcean NutraSciences Inc.

Annual Management's Discussion and Analysis

of the Financial Condition and Results of Operations

Year ended December 31, 2016

April 19, 2017

This annual management discussion and analysis ("MD&A") has been prepared based on information available to BlueOcean NutraSciences Inc. ("BOC" or the "Company") as at April 19,2017. The Annual MD&A of the operating results and financial condition of the Company as at and for the year ended December 31, 2016, should be read in conjunction with the Company's audited annual consolidated financial statements and the related notes as and for years ended December 31, 2016 and 2015 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Consolidated 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'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

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; 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 these specialty oils in end products for human consumption has been clinically proven to improve heart, eye, brain and joint health.

The Company has fully-developed its patent-protected shrimp oil ingredient and has begun marketing it under a number of consumer brands, as well as completing its omega-3 extended-release tableting platform. Processing, manufacturing and selling these natural specialty oils and tablets under consumer brands began in late Q3, 2015.

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 that delivers cardiovascular, brain, joints, muscles, skin, immune and eye health benefits. The Company has obtained a license (the "License") from Neptune Technologies & Bioressources Inc. to sell its phospholipid omega-3 shrimp oil globally.

Algal oil platform: The Company announced the creation of a new subsidiary "BlueOcean Algae Inc." in which the company has a 90% equity stake. The goal of this company will be to run tests with existing commercial algae producers to prove the benefits of growing algae using the Company's CO_2 gas-infusion technology. Upon proving the benefits, the Company intends to install the technology on a commercial scale on a royalty-fee basis.

Extended-release ("XR") Omega-3 tablet platform: Through its joint venture with CMAX Technologies Inc. ("CMAX"), the Company has commercialized an Omega-3 shrimp oil extended-release tablet product. Retail sales will be completed through its now wholly-owned subsidiary, Pure Polar Labs Inc. ("Pure Polar"). See the *Corporate* section of this Annual MD&A.

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

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 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. In the consolidated Financial Statements and this MD&A, all outstanding current and comparative period common shares, options, warrants, finders' warrants and corporate finance warrant information and the respective exercise prices, reflect the Consolidation and the Re-pricing.

The Consolidated Financial Statements consolidate the accounts of the Company and all of its subsidiaries (as detailed in note 2.3 of the Consolidated Financial Statements). As at December 31, 2016, the Company also has a 50% equity interest in one joint arrangement, 2453969 Ontario Inc. ("2453969"). BOC accounts for this arrangement using the equity method in accordance with IFRS 11 *'Joint Arrangements'.*

The Consolidated Financial Statements were authorized for issuance by the Board of Directors (The "Board") of the Company on April 19, 2017.

Operations

In February 2017, BOC announced that Pure Polar had completed a distribution agreement with Pure Integrative Pharmacy Inc. ("PIP") for distribution of its Pure Polar© Omega-3 Shrimp Oil, which is available in all 9 of PIP's pharmacy locations in British Columbia.

On December 9, 2016, the Company agreed to buy the 66.67% interest that it did not own in Pure Polar, for $27,813 (the "Pure Polar Acquisition"). After the close of this transaction (December 9, 2016), Pure Polar became a wholly-owned subsidiary of the Company. See note 8 of the Consolidated Financial Statements regarding the Pure Polar Acquisition.

On November 22, 2016, the Company announced that it had begun distribution of its Pure Polar® Omega-3 Shrimp Oil products in 20 IDA Pharmacies in the Greater Toronto Area.

In September 2016, the Company announced that its Pure Polar© Omega-3 Shrimp Oil products would commence a trial distribution at 30 select Vitamin World stores on the east and west coast of the United States as well as on-line at VitaminWorld.com. The trial was completed in February 2017, and the Company is currently negotiating a full roll-out to nearly all of the 400 Vitamin World stores throughout the United States.

On July 6, 2016, the Company announced that two of its Pure Polar® Omega-3 Shrimp Oil products had received Health Canada Natural Products Numbers ("NPN's"). Receipt of the NPN's allows the Company to commence marketing and selling Pure Polar® Omega-3 Shrimp Oil in Canada and internationally to countries that recognize the value of a Canadian natural health product licence. 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

Management Cease-Trade Order

On April 25, 2016, the Company announced that the filing of its audited annual consolidated financial statements as at and for the years ended December 31, 2015 and 2014 (the "Annual Financials"), related management discussion and analysis ("MD&A") and applicable officer certifications (together with the Annual Financials and MD&A, the "Annual Materials") would be delayed beyond the filing deadline of April 29, 2016.

In view of this delay in filing, the Company applied to the applicable Canadian securities regulatory authorities pursuant to National Policy 12-203 - *Cease Trade Orders for Continuous Disclosure Defaults* ("Policy 12-203") for a management cease trade order ("MCTO"), which, if granted, would preclude members of management from trading the Company's common shares until such time as the cease trade order is no longer in effect.

On May 16, 2016, the Ontario Securities Commission ("OSC"), issued a permanent MCTO. The MCTO prohibits all trading in and all acquisitions of the securities of the Company, whether direct or indirect, by Gavin Bogle, Chief Executive Officer, and Stephen Gledhill, Chief Financial Officer, until two full business days following the receipt by the OSC of the Company's Annual Materials, or as further ordered by the Director.

On May 30, 2016, the Company announced the filing of its first quarter 2016 unaudited consolidated financial statements as at and for the three months ended March 31, 2016 and 2015 ("Interim Financials"), related interim management discussion and analysis – quarterly highlights ("Interim MD&A") and applicable officer certifications (together with the Interim Financials and Interim MD&A, the "Interim Materials") will be delayed beyond the filing deadline of May 30, 2016. The delay in the filing of the Interim Materials is a result of the delay in the filing of the Company's Annual Materials.

Debt financing

On May 31, 2016, the Company closed on a bridge loan (the "Loan") in the amount of $400,000 that consisted of $400,000 in promissory notes (the "Notes"), secured with a fixed and floating charge on all assets of the Company and its subsidiaries. The Notes bore interest at 18.0% per annum. Fees and expense reimbursements totaling $8,000 were paid to the lender for loan-processing and legal fees.

In September 2016, pursuant to the terms of the Loan, upon completion of tranche 1 of the Q4 Financing (as defined below), the Loan plus accrued and penalty interest of $144,000, was repaid.

Issuance of common shares

During October 2016 through December 2016, the Company closed on a non-brokered private placement (the "Q4 Financing") by issuing a total of 21,813,896 units (each a "Unit"), raising gross proceeds of $2,508,598. Each Unit consists of 1 common share of the Company and 1 common share purchase warrant (each a "December Warrant"). Each December Warrant is exercisable into 1 common share at a price of $0.20, for a period of 2 years after closing. The Company paid cash fees of $152,224 and issued 874,615 finders' warrants (each a "Finder's Warrant") and 436,278 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 each, for a period of 2 years after closing. The fair values of the December Warrants, the Finder's Warrants and the Corporate Finance Warrants of $1,179,378, $51,454 and $26,795 respectively, was calculated using the Black-Scholes option-pricing model using the weighted-average input variables as follows: Life of 2.0 years, risk-free rate of 0.63%, volatility of 235.54%, common share price of $0.129 and a dividend yield of 0%. The cash finder's fees, fair value of the Finder's Warrants and Corporate Finance Warrants have been allocated to common shares and warrants on the same percentage as the fair value of the warrants.

In March 2016 and April 2016, the Company closed on a non-brokered private placement (the "April 2016 PP") whereby the Company issued an aggregate of 271,300 units (each an "April Unit") at $0.50 per April Unit (after giving effect for the Consolidation), for gross proceeds of $135,650. Each April Unit consisted of 1 common share of the Company and 1 share purchase warrant (each an "April Warrant"). Each April Warrant entitles the holder to purchase one common share of the Company at a price of $0.80 per common share (after given effect for the Consolidation) until 2 years after closing. The fair value of $49,075 for the April Warrants was estimated using the Black-Scholes option-pricing model with the weighted-average input variables as follows: Expected warrant life of 2.0 years, expected risk-free rate of 0.57%, expected volatility of 119.8%, common share price of $0.30 (after giving effect for the Consolidation) and a dividend yield of 0%.

In January 2016, the Company closed on Tranche 2 of a non-brokered private placement (the "December 2015 PP") whereby the Company issued an aggregate of 55,714 units (each a "December Unit") at $0.70 per December Unit (after giving effect for the Consolidation), for gross proceeds of $39,000. Each December Unit consisted of 1 common share of the Company and ½-of-1 common share purchase warrants. Each whole warrant (a "December Warrant") entitles the holder to purchase one common share of the Company at a price of $1.00 per common share (after giving effect for the Consolidation) until January 13, 2018. The fair value of the December Warrants of $8,667, was estimated using the Black-Scholes option-pricing model with the input variables as follows: Expected warrant life of 2.0 years, expected risk-free rate of 0.30%, expected volatility of 130.05%, common share price of $0.50 (after giving effect for the Consolidation) and a dividend yield of 0%.

In January 2016, the Company issued 35,714 pre-Consolidation shares at $0.07 per share, in exchange for partial December 2015 management fees ($2,500) due to RG Management Services Inc. ("RGMS") (see note 15).

Issuance and Re-pricing of options

During 2016, the Company issued 90,000 (after giving effect for the Consolidation) stock options to eligible participants of its stock option plan (the "Plan"). 75,000 options were issued prior to the Consolidation and Re-pricing, had exercise prices ranging from $0.50 to $0.70, with maturity dates 5 years after issuance. Upon Re-pricing, the exercise price of these options was amended to $0.15. There was no change to the maturity dates. The remaining 15,000 options were issued with an exercise price of $0.15 and maturity dates 5 years after issuance.

During 2016, 4,000 stock options with an exercise price of $1.00 (after giving effect for the Consolidation), were forfeit by persons no longer eligible for participation in the Plan.

The Black-Scholes option pricing model was used to determine the fair value of the issued options for 2016. The weighted average assumptions used were as follows: risk-free interest rate of 0.68%; expected volatility of 141%; expected life of 3.72 years; expected dividends of $nil and weighted average common share price of $0.344. The grant date fair value of the 2016 issued options is $22,000.

The fair value of $10,368, resulting from the Re-pricing, was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.69%; expected volatility of 144%; expected life of 6.3 years; expected dividends of $nil and weighted average common share price of $0.15.

Subsequent to December 31, 2016, the Company issued 2,261,507 options to eligible participants of the Plan. The options vest over various periods but ending by December 31, 2018, have a 5-year term and are exercisable between $0.135 and $0.15. Also in January 2017, 5,500 options were forfeit by holders that were no longer eligible for participation in the Plan. The forfeit options had exercise prices between $1 and $3 dollars and maturities of January 1, 2024 and 2025.

Lease termination with TransAlta Generation Partnership ("TransAlta")

As reported in the 2015 Annual MD&A, in April 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 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 the 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 this MD&A, the Company has defaulted on a total of $318,856.

In October 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.

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Selected annual financial information

	December 31, 2016	December 31, 2015	December 31, 2014
	$	$	$
Consolidated statements of operations and comprehensive loss			
Revenue	**7,925**	1,450	-
Total operating expenses	**(1,728,150)**	(1,744,244)	(1,843,222)
Loss and comprehensive loss	**(1,950,862)**	(1,101,508)	(2,439,802)
Basic and diluted loss per common share	**(0.18)**	(0.18)[1]	(0.48)[1]
Consolidated statements of cash flow			
Cash used for operations	**(1,614,614)**	(1,235,647)	(1,371,949)
Cash used for investing activities	**(27,347)**	(54,048)	(114,000)
Cash provided from financing activities	**2,394,245**	1,015,172	497,533
Increase/(decrease) in cash	**752,284**	(274,523)	(988,416)
Consolidated statements of financial position			
Cash	**782,323**	30,039	304,562
Total assets	**1,031,525**	142,172	800,665
Shareholders' equity (deficit)	**123,135**	(484,927)	(563,661)
Average number of common shares outstanding	**10,624,381**	6,165,564[1]	5,089,322[1]

[1]After giving effect for the Consolidation.

Overall performance

As at December 31, 2016, the Company had assets totaling $1,031,525 and shareholders' equity of $123,135. This compares with assets of $142,172 and a shareholders' deficiency of $484,927, as at December 31, 2015.

As at December 31, 2016 versus December 31, 2015

Total assets increased by $889,353 (2015 – decreased by $658,493) during the year ended December 31, 2016. Much of this increase was attributed to cash, which increased by $752,284. This increase resulted from financing activities that raised net proceeds of $2,394,245 (including the Loan and net receipts from related parties) offset by the repayment of the Loan plus accrued and penalty interest totaling $544,000. These net proceeds were offset by $1,614,614 used for operating activities together with $27,347 used for investing activities that included the net cost of the Pure Polar Acquisition, in the amount of $23,421 together with the losses from the 2453969 joint venture in the amount of $3,926.

Further increases to prepaid expenses in the amount of $118,301, the result of pre-paid marketing and investor-related costs totaling $194,873 and pre-paid rent of $1,350, offset by the utilization of the prior-year's prepaid inventory of $77,922. This increase was supplemented with an increase to HST recoverable in the amount of $37,617.

Results of operations

The Company has generated only nominal operating revenue and therefore losses have been incurred throughout the year ended December 31, 2016.

Year ended December 31, 2016 and December 31, 2015

Loss and comprehensive loss for the year was $1,950,862 (2015 – $1,101,508) or $0.18 (2015 – $0.18-after giving effect for the Consolidation) loss per share. Operating costs decreased by $73,095 from 2015, however loss and comprehensive loss increased by $792,353, main the result of the gain resulting from the lease termination that occurred in the comparative period. The significant changes are detailed below:

Operating loss of $1,720,224 *(2015 - $1,742,794)*

Administration of $131,648 (2015 - $184,998)

The decrease of approximately $53,000, is comprised mainly of reduced board of directors' fees of $5,000, accreted rent expense of approximately $95,000, travel and accommodation of approximately $17,000. The remaining savings of approximately $21,000, were spread across other administration categories. All reductions were the result of the Company's austerity measures to preserve cash. The savings were offset with increases of approximately $85,000 to advertising and promotion as the Company actively markets its products in an effort to move to a cash-flow positive position.

Amortization of $nil (2015 – $39,936)

Amortization decreased by $39,936, as the Company took an impairment of all its intangible assets in 2015.

Compensation of $457,680 (2015 - $314,933)

Compensation costs increased by approximately $143,000, mainly the result of a one-time severance and bonus payments in 2016 of approximately $80,000 together with one-time salary reductions in 2015 (agreed to by the employees in an effort to assist the Company in saving cash) of $63,000.

Investor relations and public reporting costs of $131,387 (2015 – $47,642)

The increase of approximately $84,000, is principally due to increased investor relations and market-maker costs of approximately $65,000, as the Company moved toward greater market acceptance and penetration of its core products. Public filing costs also increased by approximately $19,000 as the Company completed both the Consolidation and Re-pricing, each of which entailed increased regulatory and TSXV fees.

Impairment of intangible assets of $nil (2015 - $339,791)

The Company took impairment charges on all of its intangible assets at the end of the comparative period, given the significant doubt raised as to the ability to meet its obligations as they come due and the accounting principles applicable to a going concern.

License fee of $418,419 (2015 – $250,000)

During the comparative period, the Company was able to negotiate the annual 2015 royalty payment in Canadian (as opposed to US) dollars. During 2016, in addition to the US$250,000 ($334,500), it also accrued for the additional stub-period amount (October 1 to December 31) of US$62,500 ($83,919) that would be due should the annual licence payment not be paid by the Company.

Professional fees of $106,098 (2015 – $54,247)

The increase of approximately $51,000, is due mainly to higher legal costs as the Company completed both the Consolidation and the Re-pricing as well as working through the MCTO that occurred from failure to file its 2015 annual information until July 2016 (see *Management Cease-Trade Order* section of this MD&A for further details).

Share-based compensation of $66,400 (2015 – $139,492)

The reduction of approximately $ 73,000, reflects the decreased issuance of options during the current year (90,000 versus 217,566, after giving effect for the Consolidation). Note 14 of the Consolidated Financial Statements provides the details of the option continuity for 2016 along with the details of the fair value calculations as computed using the Black-Scholes option pricing model.

Other items, loss of $226,711 (2015 – gain of $774,424)

Loss resulting from onerous contract of $54,290 (2015 – $64,526)

This loss results from the mark-to-market of the fair value of the onerous contract as detailed in note 13 of the Consolidated Financial Statements.

Gain resulting from lease termination of $nil (2015 - $838,950)

During the comparative period, the gain resulted from the write-off of the straight-line lease liability and trade payable due to TransAlta. Amounts due to TransAlta are now recorded in the onerous contract liability on the consolidated statements of financial position.

Attributable losses in joint ventures of $3,926 *(2015 - $133,138)*

The Company's share of joint-venture losses is only recognized up until the point of the Acquisition (for Pure Polar in 2016 and for 70717 in 2015).

The decrease of approximately $129,000 is attributable to the decreased losses in 70717 (no activity for 2016 as 70717 became a wholly-owned subsidiary in August of 2015) of approximately $131,000. This decrease was offset by increased losses from Pure Polar of approximately $2,000.

Summary of quarterly results

	4th Quarter 2016	**3rd Quarter 2016**	**2nd Quarter 2016**	**1st Quarter 2016**
Total revenues	-	7,925	-	-
Income (loss) and comprehensive loss	(1,123,191)	(172,586)	(450,334)	(204,751)
Net loss per share – basic and fully-diluted[1]	(0.056)	(0.027)	(0.068)	(0.033)
Total assets	1,031,525	49,774	185,763	163,331
Long-term debt	-	(501,870)	(651,033)	(678,079)
Equity (Deficit)	180,135	(1,126,973)	(954,567)	(514,748)
Cash dividends declared per common share	-	-	-	-

	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015
Total revenues	-	-	-	-
Income (loss) and comprehensive loss	(1,040,672)	146,282	240,031	(447,149)
Net loss per share – basic and fully-diluted[1,2]	(0.080)	0.000	0.000	(0.100)
Total assets	142,172	498,402	941,774	564,850
Long-term debt	-	(313,553)	(378,152)	(642,483)
Deficit	(484,927)	(9,015,331)	(8,637,392)	(8,877,423)
Cash dividends declared per common share	-	-	-	-

[1]Inclusion of outstanding warrants and options is anti-dilutive.
[2]After giving effect for the Consolidation.

Liquidity and capital resources

As at December 31, 2016, the Company had working capital of $123,135 (December 31, 2015 – deficit of $181,181) and has sustained operating losses and negative cash flows from operations since its inception. Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to significant liquidity risk, as it continues to have net cash outflows to support its operations.

The Company monitors its financial position on a continual basis and updates its expected use of cash resources based on the latest available data.

There are no off-statement-of-financial-position conditions that would adversely affect the Company's liquidity and the Company has not changed its approach to capital management during the year ended December 31, 2016.

Transactions with related parties

Year ended December 31, 2016 and December 31, 2015

During the year ended December 31, 2016, compensation to key management totaled $333,158 (2015 - $213,618). Also, consulting costs of $120,000 (2015 - $125,000) were paid to RGMS for administrative, corporate secretarial and CFO services during the year. The Company's CFO is a partner of RGMS. The Company also incurred legal fees and office rental costs of $6,528 (2015 - $7,298) and $1,350 (2015 - $nil), respectively, that were paid to a law firm of which the former President and CEO is a partner.

During the year ended December 31, 2016, non-cash, share-based compensation for the vesting of options to key management (being officers and directors of the Company), totaled $44,474 (2015 – $124,492). Note 15 of the Consolidated Financial Statements details the Black-Scholes assumptions used to calculate the fair value of the options issued during the year.

During 2016, the Company issued 35,714 (2015 – 85,714) common shares with a value of $2,500 (2015 - $5,000) (see notes 14 (iv), 14(vii) and 14 (viii)) to RGMS in payment of partial December 2015 (2015 – October/15 and November/15) management fees.

As at December 31, 2016, $43,929 (2015 - $11,557) is owed to officers or directors of the Company or entities controlled by them. The amounts are unsecured, non-interest bearing and due on demand.

As at December 31, 2016, $nil (2015 - $18,849) is owed to the Company by employees pursuant to loans granted by the Company. The amounts were unsecured, non-interest bearing and due on the earlier of the Company's next equity financing (2016) or December 31, 2016.

During the year ended December 31, 2016, related parties invested $416,467 (2015 - $300,150) in the private placements completed by the Company (see note 14 of the Consolidated Financial Statements).

Adoption of new and revised standards and interpretations

At the date of authorization of the Consolidated Financial Statements, the International Accounting Standards Board and International Financial Reporting Committee have issued the following revised standards that are not yet effective for the relevant reporting periods and for which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, IFRS 9 Financial Instruments (2010) and November 2013 IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

- In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective January 1, 2018.

- On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. Under the new standard, all leases will be on the balance sheet of lessees, except those that meet limited exception criteria. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

- IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Risk and uncertainties

Capital management

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production and promotion. Secondarily, the Company strives to continue to fund research and development and pursue its growth strategy, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is considered to be its shareholders' equity. The Company's primary uses of capital are financing operations, increasing non-cash working capital and capital expenditures. The Company currently funds these requirements from existing cash resources and/or cash raised through the issuance of debt, common shares and/or warrants. The Company's objectives when managing capital is to ensure the Company will continue to have enough liquidity so that it can provide its products and services to its customers and returns to its shareholders. The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize the capacity to finance the Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital restrictions.

Financial instruments and risk management

Financial instruments

Fair value

The Company has designated its cash as fair-value-through-profit-and-loss, which is measured at fair value. Due from related parties is classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. Trade payables and accrued liabilities, due to related parties and onerous contract are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of accounts payable and accrued liabilities, due to related parties and onerous contract are determined from transaction values that were derived from observable market inputs.

As at December 31, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates**.**

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Currency risk

The Company's functional currency and the majority of its operations have been conducted in Canadian dollars. BOC occasionally conducts business in United States ("US") dollars. Financial assets and liabilities denominated in foreign currencies will be affected by changes in the exchange rate between the functional currency and these foreign currencies. The assets and liabilities primarily affected are cash and trade payables and accrued liabilities that are denominated in foreign currencies. The Company has recognized currency exchange gains during the year ended December 31, 2016 of $5,626 (2015 – losses of $2,252).

Management believes foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

b. Fair value

The carrying amounts of cash, trade payables and accrued liabilities, onerous contract and amounts due to related parties approximate their fair values given their short-term nature. The fair value of the onerous contract has been calculated using the present value of future cash commitments utilizing a rate of 12%, compounded monthly. Interest is calculated and accreted up to the Termination Amount of $647,700 (as defined in note 13 of the Consolidated Financial Statements).

Other risk factors

Key personnel

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate is business.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its Consolidated Financial Statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Technical, Regulatory and Product Platform Risk

The success of the Company depends to a large extent upon the Company's ability to produce and sell products that are new and have never been sold before. To-date, the Company has sold a de minimus amount of its products and there is no guarantee the Company will be able to produce products that customers are willing to buy. There may also be unknown scientific, technical or regulatory risks associated with sales of the proposed product platforms that the Company is unable to overcome.

Research and development costs

The research and development costs for the Company are detailed as follows:

	Year ended	
	Dec. 31, 2016	Dec. 31, 2015
	$	$
Technical consulting	**7,540**	166,840
Technical consumables	**272,405**	44,114
Research and development costs	**279,945**	210,954

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at April 19, 2017:

	Number
Common shares	28,687,815
Warrants	22,153,303[1]
Finders' and Corporate Finance Warrants	1,310,893[1]
Options	2,844,763[2]

[1]Amounts have not changed during the period subsequent to December 31, 2016. Details of exercise price and term to maturity are found in note 14 of the Consolidated Financial Statements.

[2]Details of the options issued during and subsequent to the year ended December 31, 2016, are found in notes 14 and 20 of the Consolidated Financial Statements.