



**BlueOcean NutraSciences Inc.**

**Interim Management's Discussion and Analysis**

**Quarterly Highlights**

**Three months ended September 30, 2017**

**November 27, 2017**

# BlueOcean NutraSciences Inc.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended September 30, 2017

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*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 27, 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 and nine months ended September 30, 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](http://www.sedar.com) or on the Company’s website at [www.blueoceannutra.ca](http://www.blueoceannutra.ca).*

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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.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended September 30, 2017

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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 shrimp oil products targeted at the health and wellness industry. Proper use of shrimp-oil products for human consumption has been clinically proven to improve heart, eye, brain and joint health.

The Company has developed a specialty-oil product platform consisting of 2 sub-platforms: Extended-release Omega-3 tablet manufacturing and a plant production (new).

**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 wild-caught North Atlantic Ocean shrimp by-products. This shrimp oil has superior astaxanthin product properties to krill oil and wild caught Alaskan fish oil, delivering the above-noted organ and joint health. The Company has obtained a licence (the "Licence") from Neptune Technologies & Bioresources Inc. to sell its shrimp oil globally.

**Astaxanthin algae oil platform:** The Company is pursuing joint ventures, licences as well as sales of rapidly growing astaxanthin algae ("HP") using its proprietary CO<sub>2</sub> gas infusion technology to accelerate growth. Astaxanthin oil products deliver physical and health benefits to humans and aquaculture seafood.

### **Specialty-oil product platform:**

**Omega-3 tablets and gel-caps sub-platform:** The Company received its Health Canada Natural Product Numbers ("NPN") in July 2016 for Pure Polar Regular and Double Strength and Joint-AX and Sport-AX in July 2017. The Company also received its commercial XR shrimp-tablet NPN in August 2017. This is the world's first Omega-3 product available in an extended release format. To-date, these retail products are sold online at amazon.com, purepolarshrimp.com, luckyvitamins.com, and inboxfitness.com and about 50 Canadian and US stores and pharmacies. The Company has signed an exclusive distribution agreement in Canada with Nutrition Excellence and a non-exclusive distribution agreement in the European Union, targeting Germany.

**Dissolved CO<sub>2</sub> plant production sub-platform:** The Company has also restarted and expanded its CO<sub>2</sub> gas infusion business to include the acceleration of plant growth including cannabis, lettuce, microgreens, kale, flowers and other high value plants by dissolving CO<sub>2</sub> into water for foliar spray and irrigation systems to accelerate growth.

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, including comparatives, have been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board. Interim financial statements would not normally include all the information required for full annual financial statements and should be read in conjunction with the Audited Consolidated Financial Statements. The Unaudited Interim Consolidated Financial Statements have also been prepared using 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, Solutions4CO<sub>2</sub> Technologies Inc.), BlueOcean Shrimp Products Inc. (formerly, S4CO<sub>2</sub> Services Inc.), Asta NutraSciences Inc. (formerly, S4CO<sub>2</sub> Manufacturing Inc.), BlueOcean Algae Inc. (formerly, Solutions4CO<sub>2</sub> (SJVB) Limited), Solutions4CO<sub>2</sub> 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.

# BlueOcean NutraSciences Inc.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended September 30, 2017

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The Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 27, 2017.

### ***Corporate***

On October 25, 2017, the Company announced it commenced an orderly transition of its CEO from incumbent, Dr. Marvin Heuer, who headed-up the Company's shrimp-oil business to Mr. John Archibald, who is heading up the Company's re-started CO<sub>2</sub> business. At the time of filing, the transition is still underway with all Board and TSX Venture Exchange approvals still required. The transition is the result of the Company's ongoing efforts to sell its shrimp-oil inventory, products, brands, trade-marks and, if possible, cumulative tax losses (as disclosed in its press release dated October 17, 2017) and move forward with its CO<sub>2</sub> gas-infusion irrigation business.

The Company continues with its shrimp oil business sale, as disclosed in its press release dated October 17, 2017, process. Management is working with a number of interested parties who, at minimum, have expressed interest in BOC's shrimp-oil tax shield and related-product inventory and trademarks.

On fundamental CO<sub>2</sub> Irrigation business developments, we are moving ahead with four legal cannabis growers and one indoor tobacco grower to do grow trials over the next 2-4 months. These trial results will clarify what value our dissolved CO<sub>2</sub> irrigation has on yield and quality benefits versus CO<sub>2</sub> gassing.

For spring 2018, we have reached out to a number of US outdoor cannabis growers and potato growers in the US Midwest and south Alberta that mostly irrigate their crops where dissolved CO<sub>2</sub> water should more effectively increase yield.

### ***Financial condition***

As at September 30, 2017, the Company had assets totaling \$326,850 and a shareholders' deficit of \$540,180. This compares with assets of \$1,031,525 and shareholders' equity of \$123,135, as at December 31, 2016.

During the quarter ended September 30, 2017, the Company's net assets decreased by \$294,405, the result of a decrease in assets of \$56,010, supplemented by an increase in liabilities of \$238,395. The decrease in assets of \$56,010 was the result of a decrease in cash of \$20,451 (cash used in operations of \$122,606 offset by cash provided from financing activities of \$102,155), decreases in prepaid expenses of \$29,111 and a decrease in HST recoverable of \$15,226, offset by increases to inventory of \$3,778 and an increase to amounts due from related parties of \$5,000 (see Related-party transactions and balances section of this MD&A).

The increase in liabilities of \$238,395, resulted from increases to accounts payable and accrued liabilities of \$127,908 supplemented by an increase in amounts due to related parties in the amount of \$107,154 and non-cash interest expense of \$3,333.

### ***Performance***

#### ***Operations***

During the 3<sup>rd</sup> quarter, the Company continued on its austerity program to preserve its cash, completing only those activities required to keep it in good regulatory standing while continuing to meet with potential purchasers of its Shrimp Oil business as well as grow its restarted CO<sub>2</sub> business segment, as disclosed in its press release dated October 17, 2017 (the potential "Sale").

# BlueOcean NutraSciences Inc.

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In this regard, on October 25, 2017, the Company announced that it would be transitioning the Chief Executive position from Dr. Marvin Heuer, who lead the Company through its business developments, to Mr. John Archibald, who currently heads its CO<sub>2</sub> gas infusion business segment.

### **Commitments, liquidity and capital resources**

The Company has obtained a licence (the "Licence") from Neptune Wellness Solutions Inc. ("Neptune") to sell its shrimp oil globally. Although the Company continues its discussions with Neptune in concert with the proposed Sale, pursuant to the Licence, the Company has an annual obligation to pay a minimum fee of US\$250,000 (\$312,000), which continues until the licence expires on December 16, 2024 or terminates (in which case a pro-rata payment equal to the annual amount multiplied by the number of months that have elapsed since the prior October 1<sup>st</sup>).

As at September 30, 2017, the Company has minimum cash commitments as follows:

<u>Year</u>	<u>Amount \$US (\$Cdn)</u>
2017 (remainder)	62,500 (78,000)
2018	250,000 (312,000)
2019	250,000 (312,000)
2020	250,000 (312,000)
2021	250,000 (312,000)
2022	250,000 (312,000)
2023	250,000 (312,000)
2024	302,003 (376,900)

### **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, chief financial officer and vice president of operations (2017 only). Related-party compensation paid or payable to key management is detailed below:

<u>3 months ended</u>	<u>Sept. 30, 2017</u>	<u>Sept. 30, 2016</u>
	\$	\$
Compensation to key management	56,250	62,600
Consulting fees to key management	30,000	30,000
Legal fees to key management	1,890	-
Share-based payments	29,560	180

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As at September 30, 2017, \$152,851 (December 31, 2016 - \$43,929) is owed to officers or directors of the Company or entities controlled by them.

As at September 30, 2017, \$5,000 (2016 - \$nil), is owed to it by an employee of the Company.

### ***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	31,783,463
Options	2,844,762
Warrants	22,153,303
Finder's Warrants	874,615
Corporate Finance Warrants	436,278