



BlueOcean NutraSciences Inc.

(formerly Solutions4CO₂ Inc.)

(a development-stage company)

Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

**As at and for the three and six months ended
June 30, 2016 and 2015**

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of BlueOcean NutraSciences Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2016 and 2015 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of BlueOcean NutraSciences Inc. (*formerly Solutions4CO₂ Inc.*) (the "Company"), are the responsibility of the management and the Board of Directors (the "Board") of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

As the Company is a Venture Issuer (as defined 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.

"Gavin Bogle"

Gavin Bogle
President and Chief Executive Officer

August 24, 2016

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

August 24, 2016

BlueOcean NutraSciences Inc.
(formerly Solutions4CO₂ Inc.)

Unaudited Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)

As at	June 30, 2016	December 31, 2015
Assets	\$	\$
Current assets		
Cash	85,349	30,039
Amounts receivable and recoverable	64,769	11,163
Due from related parties (note 15)	18,849	18,849
Prepaid expenses (note 7)	16,796	82,121
Total current assets	185,763	142,172
Total assets	185,763	142,172
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 10)	64,018	42,236
Current portion of onerous contract (note 13)	353,690	269,560
Due to related parties (note 15)	71,589	11,557
Total current liabilities	489,297	323,353
Non-current liabilities		
Onerous contract (note 13)	245,783	303,746
Secured promissory notes (note 12)	405,250	-
Total non-current liabilities	651,033	303,746
Total liabilities	1,140,331	627,099
Shareholders' equity		
Capital stock (note 14)	6,584,270	6,434,838
Subscription receipts (note 14)	-	14,000
Reserve for warrants (note 14)	538,288	871,770
Contributed surplus (note 14)	2,109,741	1,726,247
Accumulated deficit	(10,186,866)	(9,531,782)
Total shareholders' equity	(954,567)	(484,927)
Total liabilities and shareholders' equity	185,763	142,172

Going concern (note 1)

Significant contracts and commitments (note 18)

Subsequent event (note 19)

Approved for issuance by the Board on August 24, 2016

"Samuel Kanés", Director

"Michael Boyd", Director

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

BlueOcean NutraSciences Inc.
(formerly Solutions4CO₂ Inc.)

**Unaudited Interim Consolidated Statements of Operations and
Comprehensive Income (Loss)**

(expressed in Canadian dollars-except weighted average number of common shares outstanding)

	3 months ended		6 months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Expenses				
Administration	51,687	24,321	53,968	132,657
Amortization and depreciation	-	9,709	-	10,594
Compensation	89,525	101,259	180,891	195,471
Consulting fees	30,000	45,000	60,000	74,999
Foreign exchange (gains) losses	(1,572)	2,299	(1,505)	2,282
Investor relations and public reporting costs	23,390	16,004	56,355	27,732
Licence fees	-	250,000	-	250,000
Professional fees	41,419	19,315	51,154	20,193
Research and development non-compensation <i>(note 16)</i>	190,510	121,211	190,510	144,906
Share-based compensation <i>(note 14)</i>	516	58,710	22,294	171,361
Total expenses	425,475	647,828	613,867	1,030,195
Operating loss before other items	(425,475)	(647,828)	(613,867)	(1,030,195)
Other items:				
Interest expense	(10,250)	-	(10,250)	-
Loss resulting from onerous contract <i>(note 13)</i>	(14,608)	(15,883)	(31,167)	(31,300)
Gain resulting from lease termination <i>(note 13)</i>	-	897,801	-	897,801
	(24,858)	881,918	(41,417)	866,501
Income (loss) before losses attributable from joint ventures	(450,333)	234,090	(655,084)	(163,694)
Attributable income (loss) from joint ventures <i>(note 9)</i>	-	5,941	-	(43,424)
Income (loss) and comprehensive income (loss) for the period	(450,333)	240,031	(655,084)	(207,118)
Basic and fully-diluted income (loss) and comprehensive income (loss) per share	(0.007)	(0.004)	(0.010)	(0.004)
Weighted average number of common shares outstanding	68,650,252	62,709,451	67,442,457	58,611,339

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

BlueOcean NutraSciences Inc.
(formerly Solutions4CO₂ Inc.)

Unaudited Interim Consolidated Statements of Changes in Equity
(expressed in Canadian dollars)

	Capital stock		Warrants	Contributed surplus	Subscription receipts	Accumulated deficit	Total
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance at January 1, 2015	54,467,693	5,801,703	1,073,208	991,702	-	(8,430,274)	(563,661)
Private placement	10,000,000	1,000,000	-	-	-	-	1,000,000
Fair value of issued warrants	-	(411,365)	411,365	-	-	-	-
Cost of issuance	-	(39,600)	-	-	-	-	(39,600)
Exercise of options	75,000	7,500	-	-	-	-	7,500
Fair value of exercised options	-	6,555	-	(6,555)	-	-	-
Share-based compensation	-	-	-	171,361	-	-	171,361
Loss and comprehensive loss for the period	-	-	-	-	-	(207,118)	(207,118)
Balance at June 30, 2015	64,542,693	6,364,393	1,484,973	1,156,508	-	(8,637,392)	368,482
Private Placement	805,000	56,350	-	-	-	-	56,350
Adjustment to fair value of issued warrants	-	11,595	(11,595)	-	-	-	-
Cost of issuance	-	(2,500)	-	-	-	-	(2,500)
Subscription receipts	-	-	-	-	14,000	-	14,000
Expiry of warrants	-	-	(601,608)	601,608	-	-	-
Shares issued for services	85,714	5,000	-	-	-	-	5,000
Share-based compensation	-	-	-	171,361	-	-	171,361
Loss and comprehensive loss for the period	-	-	-	-	-	(894,390)	(894,390)
Balance at December 31, 2015	65,433,407	6,434,838	871,770	1,726,247	14,000	(9,531,782)	(484,927)
Private Placement	2,970,142	155,650	-	-	-	-	155,650
Fair value of issued warrants	-	(25,851)	25,851	-	-	-	-
Subscription receipts	300,000	19,000	-	-	(14,000)	-	5,000
Expiry of warrants	-	-	(361,200)	361,200	-	-	-
Shares issued for services	35,714	2,500	-	-	-	-	2,500
Share-based compensation	-	-	-	22,294	-	-	22,294
Loss and comprehensive loss for the period	-	-	-	-	-	(655,084)	(655,084)
Balance at June 30, 2016	68,739,263	6,584,270	538,288	2,109,741	-	(10,186,866)	(954,567)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

BlueOcean NutraSciences Inc.
(formerly Solutions4CO₂ Inc.)

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian Dollars)

<i>Six months ended June 30,</i>	2016	2015
	\$	\$
Operations		
Net loss	(655,083)	(207,118)
Non-cash items:		
Amortization	-	10,594
Effect of straight-line rent expense	-	(25,250)
Gain on lease termination	-	(871,801)
Loss due to onerous contract	31,167	31,300
Share of loss in joint ventures <i>(note 9)</i>	-	43,424
Shares issued for services	2,500	-
Share-based payments	22,294	171,361
Net change in non-cash working capital items:		
Prepaid expenses	65,325	(14,503)
Sales taxes recoverable	(3,606)	(26,270)
Trade payables and accrued liabilities	22,031	88,008
Cash used for operations	(515,372)	(800,255)
Financing activities		
Proceeds from issuance shares	160,650	1,000,000
Cost of issuance of shares	-	(39,600)
Proceeds from exercise of options	-	7,500
Issuance of promissory notes <i>(note 12)</i>	350,000	-
Related-party loan advanced (repaid)	60,032	(13,286)
Cash provided from (used for) financing activities	570,682	954,614
Increase (decrease) in cash for the period	55,310	154,359
Cash at beginning of year	30,039	304,562
Cash at end of period	85,349	458,921

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

BlueOcean NutraSciences Inc.
(formerly Solutions4CO₂ Inc.)
Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Six Months Ended June 30, 2016 and 2015

1. General information and going concern

BlueOcean NutraSciences Inc. (“BOC” or the “Company”) was incorporated under the provisions of the Business Corporations Act (Ontario) on September 17, 2010. The Company operates under three platforms targeting the health and wellness industries:

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 Pacific Ocean shrimp by-products. This shrimp oil has superior astaxanthin product properties to krill oil that delivers cardiovascular, mental and eye health benefits. The Company has obtained a license from Neptune Technologies & Bioresources to sell its shrimp oil globally.

Algal oil platform - The Company is pursuing sales of a high-value Omega3-rich algae oil extracted from rapidly growing selected micro algae strains intending to use its proprietary gas infusion technology that delivers cardiovascular 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, 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 is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1.

These unaudited interim consolidated financial statements (the “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 were due in the normal course of business for the foreseeable future. The Company is in the development stage and has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. BOC’s ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurance that it will be successful in doing. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness, ultimately, of the use of accounting principles applicable to a going concern. The Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The reader is also directed to review *note 5.2 - Liquidity risk*.

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘*Interim Financial Reporting*’ (“IAS 34”) using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

BlueOcean NutraSciences Inc.
(formerly Solutions4CO₂ Inc.)
Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Six Months Ended June 30, 2016 and 2015

The Financial Statements were approved and authorized for issuance by the Board on August 24, 2016.

2.2 Basis of presentation

The Financial Statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency. The preparation of the Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2.3 Basis of consolidation

The Consolidated Financial Statements consolidate the accounts of the Company and all of its subsidiaries. The Company has the following inactive, wholly owned subsidiaries: Solutions4CO₂ Technologies Inc., BlueOcean Shrimp Products Inc., Asta NutraSciences Inc., Solutions4CO₂ (SJVB) Limited and Solutions4CO₂ 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. Control exists when the Company has the power to govern, directly or indirectly, the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

Prior to August 10, 2015, the Company owned a 50% equity interest in two joint arrangements, 2453969 Ontario Inc. ("2453969") and 70717, and a 33.33% interest in one joint arrangement, Pure Polar Labs Inc. ("Pure Polar") held through 2453969. The Company accounts for these arrangements using the equity method in accordance with IFRS 11 'Joint Arrangements'. On July 11, 2015, the Company agreed to buy the remaining 50% interest in 70717 for a nominal amount (the "Acquisition"). After the close of the transaction (August 10, 2015), 70717 became a wholly owned subsidiary of the Company. See note 9 regarding the details of each of these joint venture arrangements.

3. 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

BlueOcean NutraSciences Inc.
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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.

4. Capital management

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production and promotion. Secondly, 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 6 months ended June 30, 2016. The Company is not subject to externally imposed capital restrictions.

5. Risk management and financial instruments

5.1 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 June 30, 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.

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Notes to the Unaudited Interim Consolidated Financial Statements
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As at and for the Three and Six Months Ended June 30, 2016 and 2015

5.2 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 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 3 and 6 months ended of \$1,572 (2015 – loss of \$2,282) and \$1,505 (2015 – loss of \$2,299), respectively.

Management believes that 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).

6. Sensitivity analysis

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution.

As at June 30, 2016, the Company's exposure to foreign currency balances is as follows:

Account	Foreign Currency	Exposure (\$Cdn)	
		June 30, 2016	December 31, 2015
Cash	US dollar	6,567	1,056

The Company believes that a change of 10% in foreign exchange rates would not have a material effect on net loss for the period.

7. Prepaid expenses

Prepaid expenses represent costs expended by the Company for which it has not yet received value. The full amount of the prepaid balance at June 30, 2016 is expected to be utilized during the upcoming year, with any portion consumed being expensed through the consolidated statements of operations and comprehensive loss, and any unconsumed portion reallocated to the appropriate consolidated statements of financial position classification.

As at June 30, 2016, the prepaid expenses of the Company are detailed as follows:

BlueOcean NutraSciences Inc.
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Notes to the Unaudited Interim Consolidated Financial Statements
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As at and for the Three and Six Months Ended June 30, 2016 and 2015

	June 30, 2016	December 31, 2015
	\$	\$
Compensation	-	-
Insurance	16,796	4,199
Deposit on purchase of shrimp oil	-	77,922
Total	16,796	82,121

8. Intangible assets

Intangible assets relate to the patents and license acquired for use. The patents were amortized over their useful lives, which varied between 9 and 13 years.

During 2015, the Company tested for the impairment of its intangible assets. 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, the Company recorded an impairment of the entire intangible balance.

Cost	Patents \$	License \$	Total \$
As at January 1, 2015	37,627	375,000	412,627
Additions	-	-	-
As at December 31, 2015	37,627	375,000	412,627
Additions	-	-	-
As at June 30, 2016	37,627	375,000	412,627
Accumulated depreciation	\$	\$	\$
January 1, 2015	(14,150)	(18,750)	(32,900)
Depreciation	(2,436)	(37,500)	(39,936)
Impairment	(21,041)	(318,750)	(339,791)
As at December 31, 2015 and June 30, 2016	(37,627)	(375,000)	(412,627)
Net book value	\$	\$	\$
As at December 31, 2015 and June 30, 2016	-	-	-

BlueOcean NutraSciences Inc.
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As at and for the Three and Six Months Ended June 30, 2016 and 2015

9. Investment in joint ventures

9.1 70717 Newfoundland and Labrador Limited

On June 6, 2013, the Company entered into a joint arrangement with a private Canadian processor of cold water shrimp and snow crab. The parties formed 70717 to produce specialty oils derived from shrimp by-products targeted at the health and wellness industry. On July 11, 2015, the Company agreed to buy the remaining 50% interest in 70717 for non-cash consideration and terminate the joint venture arrangement. After the close of the Acquisition on August 10, 2015 (the "Acquisition Date"), 70717 became a wholly owned subsidiary of the Company.

Up to the Acquisition Date, the Company accounted for this arrangement using the equity method and its share of this joint venture's loss of \$43,430 (2014 - \$88,158) has been included in the consolidated statements of operations and comprehensive loss.

A continuity of the Company's investment in 70717 (up to the Acquisition Date) follows:

	\$
Initial equity investment in joint venture, June 6, 2013	100
Investment in joint venture – June 6, 2013 to December 31, 2013	345,529
Share of loss of joint venture – June 6, 2013 to December 31, 2013	(314,432)
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Investment in joint venture, December 31, 2013	31,197
Investment in joint venture for 2014	114,001
Share of loss of joint venture for 2014	(88,158)
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Investment in joint venture, December 31, 2014	57,040
Share of loss of joint venture for 6 months ended June 30, 2015	(43,424)
Share of loss of joint venture for period from July 1, 2015 to the Acquisition Date	(6)
Deemed disposition of investment in joint venture on Acquisition Date	(13,610)
<hr/>	
Investment in joint venture – December 31, 2015 and June 30, 2016	-

In July 2015 (closing on August 10, 2015), the Company entered into an agreement with its joint venture partner to acquire the remaining outstanding 50% of 70717. The Company agreed to sell 70717's equipment to its joint venture partner for \$1 in order to acquire the remaining 50% interest in 70717. In exchange, its joint venture partner forgave all amounts owed by 70717 to it. The Company determined the fair value of its equity interest in the joint venture amounted to its net liabilities of \$9,675.

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Fair value of net liabilities:

	\$
Cash	12,381
Recoverable sales taxes	5,245
Accounts payable and accrued liabilities	(27,301)
Fair value of identifiable net liabilities	(9,675)

Loss on revalue of equity interest:

	\$
Carrying value of equity interest (at Acquisition Date), including initial equity investment	13,703
Acquisition Date fair value equal to net liabilities	9,675
Loss on revalue of equity interest	23,378

The following table details the cumulative loss from the operations of 70717 up to the Acquisition Date:

	Loss from continuing operations
	\$
Period from August 14, 2013 (date of incorporation) to December 31, 2013	(628,864)
Period from January 1, 2014 to December 31, 2014	(176,316)
Period from January 1, 2015 to June 30, 2015	(86,860)
Cumulative loss from continuing operations	(892,040)

For the comparative period only, the Company's portion of the above loss from continuing operations up to June 30, 2015, was 50% of the stated amount.

9.2 2453969 Ontario Inc.

On February 17, 2015, the Company entered into a joint arrangement with CMAX (the "CMAX JV"). The parties formed 2453969 to combine BOC's Omega3/astaxanthin oil ingredients supply and marketing expertise with CMAX's proprietary formulation technology to produce extended release Omega3 tablets from a variety of oils including shrimp, krill, algal and fish oils for the rapidly growing Omega3 and astaxanthin dietary supplements markets (the "Product"). Each party owns a 50% equity position in 2453969 and share joint control.

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Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Six Months Ended June 30, 2016 and 2015

A continuity of the Company's investment in 2453969 follows:

	\$
Initial equity investment in joint venture, February 14, 2015	1
Investment in joint venture – February 14, 2015 to June 30, 2016	33,033
Share of loss of joint venture – February 14, 2015 to June 30, 2016	(21,358)
Cumulative impairment of investment in joint venture ¹	(11,676)
Investment in joint venture, December 31, 2015 and June 30, 2016	-

¹As the joint venture has had to-date, negligible operations, the Company has taken an impairment on this investment.

Summarized financial information of 2453969 at 100%:

As at	June 30, 2016	December 31, 2015
	\$	\$
Assets		
Investment in Pure Polar joint venture	66,066	66,066
Net assets	66,066	66,066
Cash (included in current assets)	-	-
Current financial liabilities (included in current liabilities)	-	-

The following table details the cumulative loss from the operations of 2453969:

	Loss from continuing operations
	\$
Period from February 14, 2015 to December 31, 2015	(43,585)
6 months ended June 30, 2016	869
	(42,716)

The Company's portion of the above loss from continuing operations is 50% of the stated amount.

Reconciliation of above summarized financial information to the carrying amount of the Company's investment in 2453969, follows:

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As at	June 30, 2016	December 31, 2015
	\$	\$
Cumulative losses of 2453969	(42,716)	(43,585)
Company's share of cumulative losses at 50%	(21,358)	(21,792)
Cumulative Impairment of Pure Polar losses	21,357	21,791
Cumulative investment (net of impairment)	1	1
Investment in joint venture	-	-

9.3 Pure Polar Labs Inc.

On September 18, 2015, the Company (through 2453969) entered into a joint arrangement with Heuer M.D. Research Inc. (the "Pure Polar JV") to market and sell the Product. Each party owns a one-third interest in the Pure Polar JV and share joint control.

A continuity of the Company's investment in Pure Polar follows:

	\$
Initial equity investment in joint venture, September 18, 2015	263
Investment in joint venture – September 18, 2015 to June 30, 2016	65,540
Share of loss of joint venture – February 14, 2015 to June 30, 2016	(21,357)
Cumulative impairment of investment in joint venture ¹	(44,446)
Investment in joint venture, December 31, 2015 and June 30, 2016	-

¹As the joint venture has to-date, had negligible operations, the Company has taken an impairment on this investment.

Summarized financial information of Pure Polar at 100%:

As at	June 30, 2016	December 31, 2015
	\$	\$
Assets		
Current assets	2,258	955
Net assets	2,258	955
Cash (included in current assets)	2,258	955
Current financial liabilities (included in current liabilities)	-	-

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The following table details the cumulative loss from the operations of Pure Polar:

	Loss from continuing operations
	\$
Period from September 18, 2015 to December 31, 2015	(65,374)
6 months ended June 30, 2015	1,303
	(64,071)

The Company's portion of the above loss from continuing operations is one-third of the stated amount.

Reconciliation of above summarized financial information to the carrying amount of the Company's investment in Pure Polar, follows:

As at	June 30, 2016	December 31, 2015
	\$	\$
Cumulative losses	(64,071)	(65,374)
Company's share of cumulative losses at one-third	(21,357)	(21,792)
Cumulative investment (net of impairment)	21,357	21,792
Investment in joint venture	-	-

10. Trade payables and accrued liabilities

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases and financing activities. The usual credit period taken for trade purchases is between 30 and 90 days.

The following is an aged analysis of the Company's trade payables and its accrued liabilities:

	June 30, 2015	December 31, 2015
	\$	\$
Administration	6,958	943
Investor relations and public reporting	7,746	1,292
Professional fees	28,000	40,000
Research and development	21,315	-
Total	64,018	42,235

11. Straight-line rent

The Company entered into a 5-year lease (the "Lease") with TransAlta Generation Partnership ("TransAlta"), as further disclosed in notes 11 and 16. Prior to January 1, 2016, for accounting purposes,

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this lease was treated as an operating lease. The total contractual rent to be paid pursuant to this operating lease was recognized on a straight-line basis over the term of the lease, being five years. Amounts due pursuant to straight-lining of rent that are in excess of the Company's cash commitment were recorded as a straight-line rent payable with such amount reduced once actual cash rent payments exceed straight-line amounts due. This lease was terminated during the second quarter of 2015 (see note 13).

12. Secured promissory notes

On May 31, 2016, the Company closed on a bridge loan (the "Loan") in the amount of \$400,000 (with \$350,000 received as at June 30, 2016) 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 bear interest at 18.0% per annum. Fees and expense reimbursements totaling \$8,000 were paid to the lender for loan-processing and legal fees.

13. Onerous contract

Lease termination with TransAlta

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 commitments pursuant to the Termination Agreement are non-recourse and accrue no interest or penalties on unpaid amounts. 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 the date of approval of these Consolidated Financial Statements, the Company has defaulted on a total of \$210,904.

The Company recognized the Termination Amount as an onerous contract that was initially recorded at fair value being the present value of total cash commitments payable pursuant to the Termination Agreement. The difference between the discounted cash commitments and the actual commitment, is accreted to interest expense over the period until December 31, 2017. As at June 30, 2016, the fair value of the onerous contract is \$540,080 (December 31, 2015 - \$573,306). Interest accretion for the 6 months ended June 30, 2016, was \$31,168 (2015 - \$31,300).

For the comparative period, the Company recorded a gain resulting from the Termination Agreement in the amount of \$897,801, resulting from the write-off of the balance of the straight-line rent payable and the amounts due to TransAlta included in trade payables.

14. Capital stock

Authorized

BOC's authorized share capital consists of an unlimited number of Common shares.

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Issued and outstanding

Issued and outstanding

2016:

- (i) 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 557,142 units (each a "December Unit") at \$0.07 per December Unit, for gross proceeds of \$39,000. Each December Unit consisted of one common share of the Company and one-half-of-one 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 \$0.10 per common share until December 18, 2017. The fair value of the warrants issued for Tranche 1 and Tranche 2 of \$6,231 was calculated using the Black-Scholes option-pricing model with the input variables noted below.
- (ii) In March 2016, the Company closed on Tranche 1 of a non-brokered private placement (the "March 2016 PP") whereby the Company issued an aggregate of 2,413,000 units (each a "March Unit") at \$0.05 per March Unit, for gross proceeds of \$120,650. Each March Unit consisted on one common share of the Company and one share purchase warrant (a "March Warrant"). Each March Warrant entitles the holder to purchase one common share of the Company at a price of \$0.08 per common share until March 21, 2018. The fair value of the Tranche 1 March Warrants of \$25,218, was calculated using the Black-Scholes option-pricing model with the input variables noted below.
- (iii) In April 2016, the Company closed on Tranche 2 of the March 2016 PP by issuing 300,000 March Units at \$0.05 per March Unit, for gross proceeds of \$15,000. The fair value of the Tranche 2 March Warrants of \$2,500, was calculated using the Black-Scholes option-pricing model with the input variables noted below.
- (iv) In January 2016, the Company issued 35,714 shares at \$0.07 per share, in exchange for partial December 2015 management fees (\$2,500) due to RGMS (see note 15).

The warrants issued in 2016 were valued using the Black-Scholes option-pricing model with the following weighted average input variables: Warrant life of 2.0 years, risk-free rate of 0.55%, volatility of 116.36%, common share price of \$0.032 and a dividend yield of 0%.

2015:

- (v) In December 2015, the Company closed on Tranche 1 of the "December 2015 PP whereby the Company issued an aggregate of 805,000 December Units, for gross proceeds of \$56,350. The Company paid finders' fees of \$2,500 toward this financing.
- (vi) In December 2015, the Company had subscription receipts totalling \$14,000. The subscription receipts were exchanged in January 2016, with the Company issuing 200,000 units (each a "January Unit") at \$0.07 per January Unit. Each January Unit consisted of one common share of the Company and one-half-of-one common share purchase warrant. Each whole warrant (a "January Warrant") entitles the holder to purchase one common share of the Company at a price of \$0.10 per share until January 13, 2018.

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- (vii) In December 2015, the Company issued 35,714 shares at \$0.07 per share, in exchange for partial November 2015 management fees (\$2,500) due to RG Management Services Inc. (“RGMS”) (see note 15), the Company’s management services provider.
- (viii) In November 2015, the Company issued 50,000 shares at \$0.05 per share, in exchange for partial October 2015 management fees (\$2,500) due to RGMS (see note 14).
- (ix) In April 2015, the Company closed a non-brokered private placement whereby the Company issued an aggregate of 10,000,000 units (each an “April Unit”) at \$0.10 per April Unit, for gross proceeds of \$1,000,000. Each April Unit consisted of one common share of the Company and one common share purchase warrant (an “April Warrant”). Each April Warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share until April 17, 2017. The Company paid finders’ fees of \$39,600 toward this financing. The fair value of the warrants of \$393,939 was calculated using the Black-Scholes option-pricing model with the input variables as noted below.
- (x) In April, 2015, the Company issued 75,000 shares at \$0.10 each, upon the exercise of options. The fair value of the exercised option in the amount of \$6,555 was transferred from contributed surplus to common shares.

The warrants issued in 2015 were valued using the Black-Scholes option-pricing model with the following average input variables: Warrant life of 2.0 years, risk-free rate of 0.61%, volatility of 125.12%, common share price of \$0.18 and a dividend yield of 0%.

Warrants

The outstanding issued warrants balance at June 30, 2016, is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price \$	Fair value \$
August 12, 2016	Warrants	392,623	0.20	41,100
September 5, 2016	Warrants	661,666	0.20	69,300
April 17, 2017	Warrants	5,000,000	0.15	393,939
December 18, 2017	Warrants	402,500	0.10	6,231
January 13, 2018	Warrants	278,571	0.10	5,200
March 21, 2018	Warrants	2,413,000	0.08	20,018
April 8, 2018	Warrants	300,000	0.08	2,500
Total		15,936,618	0.13	538,288

Contributed surplus

BOC has a fixed stock option plan (the “Plan”). As at June 30, 2016, 1,005,962 options are available for issuance under the Plan. The principal features of the Plan are as follows:

- (a) the maximum aggregate number of common shares that may be allocated and made available to be granted to participants under the Plan is fixed at 6,958,535;

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- (b) the aggregate number of common shares that may be reserved for issuance pursuant to options granted to Insiders (defined as (a) a director or senior officer of the Company; (b) a director or senior officer of a “company” (as defined in the TSXV policies) that is an Insider or subsidiary of the Company; (c) a “person” (as defined in TSXV policies) that beneficially owns or controls, directly or indirectly, “voting shares” (as defined in TSXV policies) carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or (d) the Company itself if it holds any of its own securities) shall not exceed 10% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders, such consent obtained at the Company’s Annual Special Meeting held in June 2013;
- (c) the aggregate number of options that may be granted to all Insiders within a 12-month period shall not exceed 10% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- (d) the aggregate number of options that may be granted to any one individual within a 12-month period shall not exceed 5% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders, such consent obtained at the Company’s Annual and Special Meeting held in June 2013;
- (e) the aggregate number of options that may be granted to any one “consultant” (as defined in the TSXV policies) within a 12-month period shall not exceed 2% of the issued and outstanding common shares (on a non-diluted basis); and
- (f) the aggregate number of options that may be granted to all employees conducting “investor relation activities” (as defined in the TSXV policies) within a 12-month period shall not exceed 2% of the issued and outstanding common shares (on a non-diluted basis).

A continuity of the unexercised options to purchase common shares is detailed in the following table:

	June 30, 2016		December 31, 2015	
	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of year	\$ 0.142	5,027,573	\$ 0.170	2,321,240
Transactions during the period/year:				
Granted	0.057	750,000	0.091	2,175,677
Exercised	-	-	0.100	(75,000)
Forfeit	0.100	(40,000)	0.100	(452,344)
Outstanding at end of period/year	0.131	5,737,573	0.142	5,027,573
Exercisable at end of period/year	0.135	5,695,073	0.145	4,955,073

The Black-Scholes option pricing model was used to determine the fair value of the issued options. The weighted average assumptions used for the 2016 options were as follows: risk-free interest rate of 0.66%;

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expected volatility of 141.74%; expected life of 3.76 years; expected dividends of \$nil and weighted average common share price of \$0.038. The grant-date fair value of the options issued in 2016, is \$20,000.

The weighted average assumptions used for the 2015 options were as follows: risk-free interest rate of 1.15%; expected volatility of 152.46%; expected life of 4.0 years; expected dividends of \$nil and weighted average common share price of \$0.063. The grant-date fair value of the options issued in 2015, is \$184,000.

At June 30, 2016, the weighted average remaining contractual lives of the stock options was 6.5 years (December 31, 2015 – 7.3 years).

Share-based payments

The fair value of the stock options vested for the 3 and 6 months ended June 30, 2016, was \$516 (2015 - \$58,710) and \$22,294 (2015 - \$171,361), respectively, which has been expensed in the consolidated statements of operations and comprehensive loss.

15. Related-party transactions and key management compensation

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. Related-party compensation paid or payable to key management is detailed below:

	3 months ended		6 months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Transactions:	\$	\$	\$	\$
Compensation	62,601	62,601	125,201	130,151
Consulting fees	30,000	35,000	60,000	65,000
Legal fees	4,715	1,065	4,715	1,940
Share-based payments	516	40,657	17,294	126,228

As at June 30, 2016, \$71,589 (2015 - \$11,557) is owed to officers or directors of the Company or entities controlled by them.

As at June 30, 2016, \$18,849 (2015 - \$nil) is owed to the Company by employees.

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16. Research and development costs

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

	3 months ended		6 months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Technical consulting	1,583	86,296	1,583	105,456
Technical consumables	188,927	34,915	188,927	39,450
Licence Fees	-	250,000	-	250,000
Research and development costs	190,510	371,211	190,510	394,906

17. Segmented information

Segments under development

At June 30, 2016, the Company's operations comprise four segments, with three segments under development and a corporate group supporting the others: 1. Providing designing, building, operating and maintaining solutions for the production of high-value algae from waste-gas, water and biomass in ethanol, municipal and agricultural markets under its Algal oil platform; 2. Producing high-value astaxanthin and Omega3-enriched oils from cold water shrimp by-product streams under its shrimp-oil platform; 3. The commercialization of extended-release tablets made from astaxanthin and Omega3 fish, shrimp, krill and algae oil, under its extended-release Omega3 tablets platform; and 4. Corporate.

As at	June 30, 2016	December 31, 2015
	\$	\$
Identifiable assets:		
Algal oil	-	-
Shrimp oil	-	77,922
Extended-release Omega3 tablets	-	44,538
Corporate	185,763	64,250
	185,763	186,710

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	3 months ended		6 months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Loss and comprehensive net loss:				
Algal oil (2013 - Integrated Biogas)	(28,273)	(44,744)	(56,546)	(73,071)
Shrimp oil	(16,300)	(330,174)	(32,600)	(386,322)
Slow-release Omega3 tablets	(11,972)	(73,256)	(23,945)	(95,175)
Corporate	(393,789)	688,205	(541,993)	347,450
	(450,334)	240,031	(655,084)	(207,118)
Cash used for operations:				
Algal oil			(51,546)	(50,413)
Shrimp oil			(30,100)	(329,888)
Slow-release Omega3 tablets			(21,445)	(85,619)
Corporate			(412,281)	(333,325)
			(515,372)	(800,255)

Geographic segments

BOC operates in two geographic segments being Canada and the United States. As the Company is still pre-revenue and in its development stage, all operations have been performed in Canada. At this stage, as the operations comprise a single geographic segment, amounts disclosed in the Financial Statements also represent the geographic segment information.

18. Significant contracts and commitments

The Company had entered into the Lease with TransAlta, effective March 1, 2012, and further amended in March 2013 and September 2013, that established a 50,000 square foot research and development facility at the River Centre located in the Bluewater Energy Park. On April 30, 2015, the Company completed negotiations with TransAlta and entered into 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 amount is to be repaid in equal monthly instalments of \$26,988 over a two-year period commencing on January 1, 2016. Also see note 13 regarding the Company's default on payments to-date for 2016.

As at June 30, 2016, the Company has minimum cash commitments pursuant to the Termination Agreement as follows:

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Year	Amount
	\$
2016 (remainder)	318,850
2017	323,850
Total	642,700

The commitments pursuant to the Termination Agreement are non-recourse and accrue no interest or penalties on unpaid amounts.

19. Subsequent event

On August 12, 2016, 392,623 warrants with an exercise price of \$0.20, expired.