BlueOcean NutraSciences Inc.

(a development-stage company)

Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the 3 months ended March 31, 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. These unaudited interim consolidated financial statements as at and for the three months ended March 31, 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., 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 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

July 14, 2016

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

July 14, 2016

BlueOcean NutraSciences Inc.
Unaudited Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)

As at	**March 31, 2016**	December 31, 2015
Assets	**$**	$
Current assets		
Cash *(note 7)*	**32,486**	30,039
Sales taxes recoverable	**13,079**	11,163
Due from related parties *(note 13)*	**18,849**	18,849
Prepaid expenses	**98,917**	82,121
Total current assets	**163,331**	142,172
Total assets	**163,331**	142,172
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 9)*	**60,714**	42,236
Current portion of onerous contract *(note 11)*	**353,690**	269,560
Due to related parties *(note 13)*	**32,500**	11,557
Total current liabilities	**446,904**	323,353
Non-current liabilities		
Onerous contract *(note 11)*	**231,175**	303,746
Total non-current liabilities	**231,175**	303,746
Total liabilities	**678,079**	627,099
Shareholders' (deficit)/equity		
Capital stock *(note 12)*	**6,571,770**	6,434,838
Subscription receipts *(note 12)*	**5,000**	14,000
Reserve for warrants *(note 12)*	**720,988**	871,770
Contributed surplus *(note 12)*	**1,924,025**	1,726,247
Accumulated deficit	**(9,736,531)**	(9,531,782)
Total shareholders' deficiency	**(514,748)**	(484,927)
Total liabilities and shareholders' equity	**163,331**	142,172

Going concern (note 1)
Significant contracts and commitments (note 16)
Subsequent events (note 17)

Approved for issuance by the Board on July 14, 2016

"Samuel Kanes", Director

"Michael Boyd", Director

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

BlueOcean NutraSciences Inc.
Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

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

	3 months ended	
	March 31, 2016	March 31, 2015
	$	$
Expenses		
Administration	**2,280**	108,336
Amortization and depreciation	**-**	885
Compensation	**91,366**	94,912
Consulting fees	**30,000**	29,999
Foreign exchange (gains) losses	**67**	(17)
Investor relations and public reporting costs	**32,965**	11,728
Professional fees	**9,375**	878
Research and development *(note 14)*	**-**	23,695
Share-based compensation *(note 12)*	**21,778**	112,651
Total expenses	**188,191**	382,367
Operating loss	**(188,191)**	(382,367)
Loss resulting from onerous contract *(note 11)*	**(16,559)**	(15,417)
Loss before losses from joint ventures	**(204,750)**	(397,784)
Attributable losses from joint ventures	**-**	(49,365)
Loss and comprehensive loss for the period	**(204,750)**	(447,149)
Basic and fully-diluted loss and comprehensive loss per share	**(0.00)**	(0.01)
Weighted average number of common shares outstanding	**61,655,644**	54,467,693

BlueOcean NutraSciences Inc.
Unaudited Interim Consolidated Statements of Changes in Equity
(expressed in Canadian dollars)

	Capital stock						
	Number of shares	**Amount**	**Warrants**	**Contributed surplus**	**Subscription receipts**	**Accumulated deficit**	**Total**
		$	$	$	$	$	$
Balance at January 1, 2015	54,467,693	5,801,703	1,073,208	991,702	-	(8,430,274)	(563,661)
Share-based compensation	-	-	-	112,651	-	-	112,651
Loss and comprehensive loss for the period	-	-	-	-	-	(447,149)	(447,149)
Balance at March 31, 2015	54,467,693	5,801,703	1,073,208	1,104,353	-	(8,877,423)	(898,159)
Shares issued for cash	10,805,000	1,056,350	-	-	-	-	1,056,350
Fair value of issued warrants	-	(400,170)	400,170	-	-	-	-
Cost of issuance	-	(42,100)	-	-	-	-	(42,100)
Shares issued for services	85,714	5,000	-	-	-	-	5,000
Exercise of options	75,000	7,500	-	-	-	-	7,500
Fair value of exercised options	-	6,500	-	(6,555)	-	-	-
Expiry of warrants	-	-	(601,608)	601,608	-	-	-
Subscription receipts issued *(note 12)*	-	-	-	-	14,000	-	14,000
Share-based compensation	-	-	-	-	26,841	-	26,841
Income (loss and comprehensive income (loss) for the period	-	-	-	-	-	(654,358)	(665,358)
Balance at December 31, 2015	**65,433,407**	**6,434,838**	**871,770**	**1,726,247**	**14,000**	**(9,531,781)**	**(484,926)**
Shares issued for cash	**2,770,142**	**145,650**	**-**	**-**	**-**	**-**	**145,650**
Fair value of issued warrants	**-**	**(25,218)**	**25,218**	**-**	**-**	**-**	**-**
Shares issued for services	**35,714**	**2,500**	**-**	**-**	**-**	**-**	**2,500**
Subscription receipts converted *(note 12)*	**200,000**	**14,000**	**-**	**-**	**(14,000)**	**-**	**-**
Subscription receipts issued	**-**	**-**	**-**	**-**	**5,000**	**-**	**5,000**
Expiry of warrants	**-**	**-**	**(176,000)**	**176,000**	**-**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**21,778**	**-**	**-**	**21,778**
Loss and comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(204,588)**	**(204,588)**
Balance at March 31, 2016	**68,439,263**	**6,571,770**	**720,988**	**1,924,025**	**5,000**	**(9,736,531)**	**(514,748)**

BlueOcean NutraSciences Inc.
Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian dollars)

	3 months ended	
	March 31, 2016	March 31, 2015
	$	$
Operating activities		
Net loss	**(204,750)**	(447,149)
Non-cash items:		
Amortization and depreciation	**-**	885
Effect of straight-line rent expense	**-**	(25,250)
Loss due to onerous contract	**16,559**	15,417
Share-based payments	**21,778**	112,651
Shares issued for services	**2,500**	-
Share of (earnings) loss in joint ventures	**-**	49,365
Unrealized foreign exchange	**-**	7
Net change in non-cash working capital items:		
Prepaid expenses	**(16,796)**	(14,503)
Sales taxes recoverable	**(1,916)**	(19,845)
Trade payables and accrued liabilities	**13,479**	121,801
Cash used for operating activities	**(169,146)**	(206,621)
Financing activities		
Proceeds from issuance of shares (including subscription receipts)	**150,650**	-
Related-party loans advanced (repaid)	**20,943**	(13,286)
Cash provided from (used for) financing activities	**171,593**	(13,286)
Investing activities		
Investment in joint venture	**-**	(12,972)
Cash used for investing activities	**-**	(12,972)
Increase (decrease) in cash for the period	**2,447**	(232,879)
Cash at the beginning of the year	**30,039**	304,562
Cash at end of the period	**32,486**	71,683
Supplemental cash flow information		
Interest paid	-	-
Taxes paid	**-**	-

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

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 & Bioressources 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 has commenced pre-selling commercial XR shrimp tablets as well as regular strength and extra strength shrimp oil gel caps on www.purepolarshrimp.com and finalizing a commercial XR fish oil tablet formulation, through its joint venture with CMAX Technologies Inc. ("CMAX").

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.

2. Basis of preparation

2.1 Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards ("IAS") 34* 'Interim Financial Reporting' 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").

The Consolidated Financial Statements were approved and authorized for issuance by the Board on July 14, 2016.

2.2 Basis of presentation

The Consolidated 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 Consolidated Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment 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: Solutions4CO_2 Technologies Inc., BlueOcean Shrimp Products Inc., Asta NutraSciences Inc., Solutions4CO_2 (SJVB) Limited and Solutions4CO_2 USA, Inc. and 70717 Newfoundland and Labrador Limited ("70717"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are all entities controlled by the Company. 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"). 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.

As at March 31, 2016, the Company took further impairment charges of $162 (2015 - $nil) and $nil (2015 - $nil), respectively, on the value of its equity investments in 2453969 and Pure Polar, resulting in balances of zero being carried on those investments.

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 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. 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 3 months ended March 31, 2016. The Company is not subject to externally imposed capital restrictions.

5. Financial instruments and risk management

5.1 Financial instruments

Fair value

The Company has designated its cash as FVTPL, which is measured at 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 March 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.

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 losses during the period ended March 31, 2016 of $67 (2015 – gain of $17).

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 11).

6. Sensitivity analysis

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

As at March 31, 2016, the Company's exposure to foreign currency balances is as follows:

		Exposure ($Cdn)	
Account	**Foreign currency**	**March 31, 2015**	December 31, 2015
Cash	US dollar	**989**	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.

(expressed in Canadian dollars)

7. Cash

The balance of cash at March 31, 2016, consists of $32,486 (December 31, 2015 - $30,039) on deposit with a major Canadian bank.

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 March 31, 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 March 31, 2016	**(37,627)**	**(375,000)**	**(412,627)**

Net book value	**$**	**$**	**$**
As at December 31, 2015 and March 31, 2016	**-**	**-**	**-**

9. 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 analysis of the Company's trade payables and its accrued liabilities:

(expressed in Canadian dollars)

	March 31, 2016	December 31, 2015
	$	$
Administration	**18,951**	943
Investor relations and public reporting	**12,933**	1,292
Professional fees	**28,830**	40,000
Total trade payables and accrued liabilities	**60,714**	42,235

10. 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, 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 11).

11. 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 amount was to be repaid in equal monthly instalments of $26,988 over a two-year period commencing on January 1, 2016.

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 March 31, 2016, the fair value of the onerous contract is $584,865 (December 31, 2015 - $573,306). Interest accretion for the three months ended March 31, 2016, is $16,559 (2015 - $15,417). This amount is categorized as further losses resulting from the onerous contract and recorded in the consolidated statement of operations and comprehensive loss.

On January 1, 2016, the Company defaulted on Termination Agreement by failing to make the required first repayment of $26,988. In January 2016, the Company made a $5,000 payment against amounts owing under the Termination Agreement but has made no further payments thereunder. As of March 31, 2016, the Company has defaulted on a total of $75,864. See note 17 (i) for further defaulted payments.

12. Capital stock

Authorized

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

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 both Tranche 1 and Tranche 2 (see note 18 (ii) for issuance in April 2016) March Warrants of $25,218, was calculated using the Black-Scholes option-pricing model with the input variables noted below.

(iii) 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 average input variables: Warrant life of 2.0 years, risk-free rate of 0.53%, volatility of 115.46%, common share price of $0.032 and a dividend yield of 0%.

2015:

(iv) 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.

(v) 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.

(expressed in Canadian dollars)

(vi) 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.

(vii) 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).

(viii) 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.

(ix) 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 March 31, 2016, is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price $	Fair value $
April 18, 2016	Warrants	1,600,000	0.200	155,800
May 30, 2016	Warrants	305,000	0.200	29,400
August 12, 2016	Warrants	392,623	0.200	41,100
September 5, 2016	Warrants	661,666	0.200	69,300
April 17, 2017	Warrants	5,000,000	0.150	393,939
December 18, 2017	Warrants	402,500	0.100	6,231
January 13, 2018	Warrants	278,571	0.100	5,200
March 21, 2018	Warrants	2,413,000	0.080	20,018
Total		**11,053,360**	**0.145**	**720,988**

Contributed surplus

BOC has a fixed stock option plan (the "Plan"). As at March 31, 2016, 965,962 options are available for issuance under the Plan. The principal features of the Plan are as follows:

(expressed in Canadian dollars)

(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;

(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:

	March 31, 2016		December 31, 2015	
	Weighted Average Exercise Price	**Number of options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of year	**0.145**	**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	(452,344)
Outstanding at end of period/year	**0.131**	**5,777,573**	0.142	5,027,573

(expressed in Canadian dollars)

Exercisable at end of period/year	**0.135**	**5,720,073**	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%; 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 March 31, 2016, the weighted average remaining contractual lives of the stock options was 6.8 years (December 31, 2015 – 7.3 years).

Share-based payments

The fair value of the stock options vested for the 3 months ended March 31, 2016, was $21,778 (2015 - $112,651), which has been expensed in the consolidated statements of operations and comprehensive loss.

13. 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	**March 31, 2016**	March 31, 2015
	$	$
Compensation to key management	**30,000**	30,000
Consulting fees to key management	**30,000**	30,000
Share-based payments	**16,778**	85,571

As at March 31, 2016, $32,500 (2015 - $11,557) is owed to officers or directors of the Company or entities controlled by them.

(expressed in Canadian dollars)

As at March 31, 2016, $18,849 (2015 - $18,849) is owed to the Company by employees pursuant to loans granted by the Company. The loans are interest free and mature on the earlier of i) completion of the Company's next equity financing and ii) December 31, 2016.

14. Research and development costs

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

3 months ended	**March 31, 2016**	March 31, 2015
	$	$
Technical consulting	**-**	19,160
Technical consumables	**-**	4,535
Research and development costs	**-**	23,695

15. Segmented information

Segments under development

At March 31, 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	**March 31, 2016**	December 31, 2015
	$	$
Identifiable assets:		
Algal oil	**-**	-
Shrimp oil	**-**	77,922
Extended-release Omega3 tablets	**-**	44,538
Corporate	**163,331**	64,250
	163,331	186,710

(expressed in Canadian dollars)

3 months ended	**March 31, 2016**	March 31, 2015
	$	$
Loss and comprehensive net loss:		
Algal oil	**(7,068)**	(28,327)
Shrimp oil	**(4,075)**	(89,262)
Extended-release Omega3 tablets	**(2,993)**	(21,920)
Corporate	**(190,614)**	(307,640)
	(204,750)	(447,149)

3 months ended	**March 31, 2016**	March 31, 2015
	$	$
Cash used for operations:		
Algal oil	**(2,068)**	(14,697)
Shrimp oil	**(1,575)**	(32,091)
Extended-release Omega3 tablets	**(493)**	(16,186)
Corporate	**(165,010)**	(143,646)
	(169,146)	(206,620)

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 Consolidated Financial Statements also represent the geographic segment information.

16. 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 12 regarding the Company's default on payments to-date for 2016.

As at March 31, 2016, the Company has minimum cash commitments pursuant to the Termination Agreement as follows:

(expressed in Canadian dollars)

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

17. Subsequent events

i) The Company has defaulted on payments due on April 1, May 1, June 1 and July 1, 2016, pursuant to the Termination Agreement (note 14), totalling $80,964.

ii) In April 2016, the Company closed on Tranche 2 of the March 2016 PP, whereby the Company issued an aggregate of 300,000 March Units, for gross proceeds of $15,000.

iii) In April 2016, the Company executed and indicative term sheet for a bridge loan facility (the “Facility”) with a minimum of $300,000 to a maximum of $400,000 to be advanced under the Facility. The Facility, in the amount of $400,000, closed on May 31, 2016 (the “Closing”), and is secured with a fixed and floating charge on all assets of the Company and its subsidiaries, owned or hereinafter acquired and will bear interest at 18.0% per annum on the principal amount outstanding, payable upon repayment of the Facility. The Facility will be repayable on the earlier of (i) a minimum equity financing of $1.0 million being closed by the Company or (ii) 2 years after Closing. Pursuant to the terms of the Facility, the Company paid the lender’s financing and legal fees totaling $10,405.