BlueOcean NutraSciences Inc.

(a development stage company)

Consolidated Financial Statements

(expressed in Canadian dollars)

For the years ended
December 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL FINANCIAL REPORTING

The accompanying audited annual consolidated financial statements of BlueOcean NutraSciences Inc. (the "Company") are the responsibility of management and the Board of Directors (the "Board") of the Company and have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide assurance that the transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board has reviewed with the Company's independent auditors the scope and results of the annual audit and the consolidated financial statements and the related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, UHY McGovern Hurley LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

"Marvin Heuer"	*"Stephen M. Gledhill"*
Marvin Heuer President and Chief Executive Officer	Stephen M. Gledhill Chief Financial Officer
April 19, 2017	April 19, 2017

UHY McGovern Hurley LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BlueOcean NutraSciences Inc.

We have audited the accompanying consolidated financial statements of BlueOcean NutraSciences Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BlueOcean NutraSciences Inc. and its subsidiaries as at December 31, 2016, and their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters
The consolidated financial statements of BlueOcean NutraSciences Inc. for the year ended December 31, 2015, were audited by other auditors who expressed an unmodified opinion on those statements on July 19, 2016.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2016 and a cumulative deficit as at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

UHY McGOVERN HURLEY LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
April 19, 2017

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

As at	**December 31, 2016**	December 31, 2015
Assets	**$**	$
Current assets		
Cash	**782,323**	30,039
Sales taxes recoverable	**48,780**	11,163
Due from related parties *(note 15)*	**-**	18,849
Prepaid expenses *(note 7)*	**200,422**	82,121
Total current assets	**1,031,525**	142,172
Total assets	**1,031,525**	142,172
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 10)*	**241,865**	42,236
Provision for onerous contract *(note 13)*	**622,596**	269,560
Due to related parties *(note 15)*	**43,929**	11,557
Total current liabilities	**908,390**	323,353
Non-current liabilities		
Provision for onerous contract *(note 13)*	**-**	303,746
Total non-current liabilities	**-**	303,746
Total liabilities	**908,390**	627,099
Shareholders' equity (deficiency)		
Common shares *(note 14)*	**7,724,523**	6,434,838
Subscription receipts *(note 14)*	**-**	14,000
Reserve for warrants *(note 14)*	**1,644,009**	871,770
Contributed surplus *(note 14)*	**2,237,247**	1,726,247
Accumulated deficit	**(11,482,644)**	(9,531,782)
Total shareholders' equity (deficiency)	**123,135**	(484,927)
Total liabilities and shareholders' equity (deficiency)	**1,031,525**	142,172

Going concern (note 1)
Significant contracts and commitments (note 18)
Subsequent events (note 20)

Approved for issuance by the Board on April 19, 2017
"Michael Boyd", Director
"Samuel Kanes", Director

BlueOcean NutraSciences Inc.
Consolidated Statements of Operations and Comprehensive Loss

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

	Years ended	
	December 31, 2016	December 31, 2015
	$	$
Revenue *(note 17)*	**7,925**	1,450
Expenses		
Administration	**131,648**	184,998
Amortization and depreciation	**-**	39,936
Compensation	**457,680**	314,933
Consulting fees	**142,199**	159,999
Foreign exchange (gains)/losses	**(5,626)**	2,252
Impairment of intangible assets *(note 3.7)*	**-**	339,791
Investor relations and public reporting costs	**131,387**	47,642
Licence fees *(note 18)*	**418,419**	250,000
Professional fees	**106,098**	54,257
Research and development *(note 16)*	**279,945**	210,954
Share-based compensation *(note 14)*	**66,400**	139,492
Total expenses	**1,728,150**	1,744,244
Operating loss	**(1,720,225)**	(1,742,794)
Loss resulting from onerous contract *(note 13)*	**(54,290)**	(64,526)
Gain resulting from lease termination *(note 13)*	**-**	838,950
Interest expense	**(149,000)**	-
Loss before losses from joint ventures	**(1,923,515)**	(968,370)
Attributable losses from joint ventures *(notes 8 and 9)*	**(27,347)**	(133,138)
Loss and comprehensive loss for the year	**(1,950,862)**	(1,101,508)
Basic and fully diluted loss and comprehensive loss per share	**(0.184)**	(0.179)
Weighted average number of common shares outstanding *(note 1)*	**10,624,381**	6,165,564

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

	Common shares						
	Number of shares *(note 1)*	Amount	Subscription receipts	Reserve for Warrants	Contributed surplus	Accumulated deficit	Total
		$	$	$	$	$	$
Balance at December 31, 2014	5,446,762	5,801,703	-	1,073,208	991,702	(8,430,274)	(563,661)
Shares issued for cash - private placement	1,080,500	1,056,350	-	-	-	-	1,056,350
Subscription receipts	-	-	14,000	-	-	-	14,000
Fair value of issued warrants	-	(400,170)	-	400,170	-	-	-
Expiry of warrants	-	-	-	(601,608)	601,608	-	-
Cost of issuance	-	(42,100)	-	-	-	-	(42,100)
Shares for service	8,571	5,000	-	-	-	-	5,000
Exercise of options	7,500	7,500	-	-	-	-	7,500
Fair value of exercised options	-	6,555	-	-	(6,555)	-	-
Share-based compensation	-	-	-	-	139,492	-	139,492
Loss and comprehensive loss for the year	-	-	-	-	-	(1,101,508)	(1,101,508)
Balance at December 31, 2015	6,543,333	6,434,838	14,000	871,770	1,726,247	(9,531,782)	(484,927)
Shares issued for cash - private placement	**22,120,911**	**2,669,248**	**-**	**-**	**-**	**-**	**2,669,248**
Fair value of issued warrants	**-**	**(1,234,009)**	**-**	**1,234,009**	**-**	**-**	**-**
Fair value of brokers'/finders' warrants	**-**	**(76,703)**	**-**	**76,703**	**-**	**-**	**-**
Cash cost of issuance	**-**	**(82,240)**	**-**	**(69,984)**	**-**	**-**	**(152,224)**
Conversion of subscription receipts	**20,000**	**14,000**	**(14,000)**	**-**	**-**	**-**	**-**
Fair value of issued warrants for subscription receipts	**-**	**(3,111)**	**-**	**3,111**	**-**	**-**	**-**
Shares for service	**3,571**	**2,500**	**-**	**-**	**-**	**-**	**2,500**
Expiry of warrants	**-**	**-**	**-**	**(471,600)**	**471,600**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**-**	**39,400**	**-**	**39,400**
Loss and comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,950,862)**	**(1,950,862)**
Balance at December 31, 2016	**28,687,815**	**7,724,523**	**-**	**1,644,009**	**2,237,247**	**(11,482,644)**	**123,135**

BlueOcean NutraSciences Inc.
Consolidated Statements of Cash Flow

(expressed in Canadian Dollars)

	Years ended	
	December 31, 2016	December 31, 2015
	$	$
Operating activities		
Net loss	**(1,950,862)**	(1,101,508)
Non-cash items:		
Amortization and depreciation	**-**	39,936
Effect of straight-line rent expense	**-**	(25,250)
Gain resulting from lease termination *(note 13)*	**-**	(838,950)
Issuance of shares for services	**2,500**	5,000
Loss resulting from onerous contract *(note 13)*	**54,290**	64,526
Impairment of intangible assets *(note 3.7)*	**-**	339,791
Share-based payments	**66,400**	139,492
Share of loss in joint ventures	**27,347**	133,138
Net change in non-cash working capital items:		
Prepaid expenses	**(118,301)**	(69,828)
Sales taxes recoverable	**(37,617)**	(17,726)
Trade payables and accrued liabilities	**197,629**	95,733
Cash interest paid	**144,000**	-
Cash used for operating activities	**(1,614,614)**	(1,235,647)
Financing activities		
Proceeds from issuance of shares (including subscription receipts of $14,000 in 2015)	**2,669,248**	1,070,350
Cost of issuance of shares	**(152,224)**	(42,100)
Proceeds from issuance of secured promissory notes *(note 12)*	**400,000**	-
Repayment of secured promissory notes *(note 12)*	**(400,000)**	-
Interest paid on repayment of promissory notes *(note 12)*	**(144,000)**	-
Proceeds from exercise of options	**-**	7,500
Advanced to related parties *(note 15)*	**-**	(18,849)
Repayment from related parties *(note 15)*	**18,849**	-
Advanced from (repayment to) related parties *(note 15)*	**2,372**	(1,729)
Cash provided from financing activities	**2,394,245**	1,015,172
Investing activities		
Investment in joint ventures	**(3,926)**	(66,330)
Acquisition of joint venture *(note 8)*	**(27,813)**	-
Cash acquired on step-acquisition of joint venture *(note 9.2)*	**4,392**	12,282
Cash used for investing activities	**(27,347)**	(54,048)
Decrease in cash for the year	**752,284**	(274,523)
Cash at beginning of year	**30,039**	304,562
Cash at end of year	**782,323**	30,039

The accompanying notes are an integral part of these 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 is a producer and marketer of natural specialty oils targeted at the health and wellness industry. Proper use of primary ingredients in these specialty oils in end products for human consumption has been clinically proven to improve heart, eye, brain and joint health.

The Company has developed two natural specialty-oil product platforms and one extended-release Omega3 tablet manufacturing platform:

Shrimp oil platform: The Company has secured a processor on an exclusive long term basis to extract high phospholipid and astaxanthin rich omega-3 oil derived from certain wild North Atlantic and South Pacific Ocean shrimp by-products. This shrimp oil has superior astaxanthin product properties to krill oil, delivering the above-noted organ and joint health. The Company has obtained a licence (the "Licence") from Neptune Technologies & Bioressources Inc. to sell its shrimp oil globally.

Algal oil platform: The Company is pursuing joint ventures, licences as well as sales of a high-value omega-3 rich algae oil extracted from rapidly growing selected micro algae strains using its proprietary gas infusion technology that delivers physical and mental health benefits from vegan algae oils.

Extended-release ("XR") Omega-3 tablet platform: After having received its Health Canada National Product Numbers ("NPN") in July 2016, the Company is selling its commercial XR shrimp tablets as well as regular strength and extra strength shrimp oil gel caps on amazon.com, vitaminworld.com, luckyvitamins.com, inboxfitness.com and purepolarshrimp.com and expects to soon be in a number of Canadian and US stores and pharmacies.

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

At its annual general and special meeting of the shareholders (the "ASM") held on September 21, 2016, the Company received shareholder approval to consolidate its shares on a one-for-ten basis (the "Consolidation"), such Consolidation taking effect on September 27, 2016. At the ASM, the Company's shareholders also approved the repricing of all outstanding post-Consolidation options to $0.15 each (the "Re-pricing") (note 14), being the closing price of the Company's common shares on September 27, 2016. All outstanding current and comparative period common shares, options, warrants, finders' warrants and corporate finance warrant information and the respective exercise prices, reflect the Consolidation and the Re-pricing.

These 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 fall 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 so. These material uncertainties 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 consolidated 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

The Consolidated Financial Statements including comparatives have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (the "IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Consolidated Financial Statements were approved and authorized for issuance by the Board on April 19, 2017.

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 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: Solutions4CO_2 Technologies Inc., BlueOcean Shrimp Products Inc., Asta NutraSciences Inc., Solutions4CO_2 (SJVB) Limited, Solutions4CO_2 USA, Inc., Pure Polar Labs 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 entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. 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 "70717 Acquisition"). After the close of this transaction (August 10, 2015), 70717 became a wholly-owned subsidiary of the Company.

On December 9, 2016, the Company agreed to buy the 66.67% interest that it did not own in Pure Polar, for $27,813 (the "Pure Polar Acquisition"). After the close of this transaction (December 9, 2016), Pure Polar became a wholly-owned subsidiary of the Company. See note 8 regarding the 70717 Acquisition and the Pure Polar Acquisition. See note 9 regarding the details of each of these joint venture arrangements.

3. Summary of significant accounting policies

3.1 Common shares, subscription receipts, contributed surplus and reserve for warrants

Common shares, subscriptions receipts, contributed surplus and reserve for warrants are classified as shareholders' equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity.

3.2 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the financial asset and settle the financial liability simultaneously. At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the financial instruments were acquired:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and amount due from related parties are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated statement of financial position dates, which is classified as non-current. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment.

Financial liabilities

Financial liabilities at amortized cost include trade payables and accrued liabilities, amounts due to related parties and onerous contract. Trade payables and accrued liabilities and amounts due to related parties are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables and accrued liabilities, amounts due to related parties and onerous contract are measured at amortized cost, using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months of the consolidated statement of financial position dates, otherwise, they are classified as non-current liabilities.

3.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Company's Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional and presentation currency of the Company is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates prevailing at the dates of the transactions. Generally, foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations and comprehensive loss.

3.4 Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss on financial assets carried at amortized cost as follows: The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the financial instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

3.5 Impairment of non-financial assets

Property and equipment, intangible assets and investment in joint ventures

Property and equipment, intangible assets and investment in joint ventures are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable CGU's. The recoverable amount is the higher of an asset's fair value, less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that have been impaired previously are reviewed for possible reversal of impairment at each reporting date.

3.6 Income taxes

Income taxes comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations and comprehensive loss, except to the extent that they relate to items recognized directly in shareholders' equity, in which case, the income taxes are also recognized directly in shareholders' equity. Current income taxes are the expected income taxes payable on the taxable income for the period, using income tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to income taxes payable in respect of previous periods. In general, deferred income taxes are recognized in respect of temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred income taxes are determined on a non-discounted basis, using income tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income taxes are provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, when the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

3.7 Intangible assets

Patents and licence

The Company's patents were initially measured at cost and are amortized over their useful lives, which varied between 9 and 13 years. After initial recognition, the Company's intangible assets were carried at their cost less accumulated amortization and any impairment loses. The Company's licence was being amortized on a straight-line basis over the term of the licence, being 10 years. As at December 31, 2015, the Company recorded an impairment of $339,791 on the unamortized balance of its intangible assets.

3.8 Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The comparative year number of common shares outstanding and the loss per share have been adjusted for the Consolidation. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds on the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2016 and 2015, all the outstanding stock options, warrants and finders' warrants were antidilutive.

3.9 Prepaid expenses

Prepaid expenses consist of services or products that have been paid, but for which the Company has not yet obtained the benefit.

3.10 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value when the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

3.11 Sales taxes recoverable

Sales taxes recoverable represent harmonized or goods and services sales taxes paid within Canada that are refundable.

3.12 Share-based compensation

The Company grants stock options to certain directors, employees, consultants and advisers. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period, based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Upon the expiry of unexercised options or warrants, the amount expensed to the expiry date is transferred to retained earnings (deficit). Upon the exercise of options or warrants, the cash received and the original value is allocated to common shares. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3.13 Significant accounting judgments and estimates

The preparation of the Consolidated Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the estimates and judgments applied by management that most significantly affect the Company's Consolidated Financial Statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share-based compensation expense

The Company estimates share-based compensation expense at the grant date based on the award's fair value as calculated by an options calculator and is recognized over the vesting period. The model requires various judgmental assumptions, including volatility, forfeiture rates and expected stock option life. Changes to the assumptions selected by management and used in an options calculator could materially affect the Company's share-based compensation expense.

Impairments

IFRS requires management to undertake an annual test for impairment of intangible assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management's judgment, requiring assessment as to whether the carrying amount of assets can be supported by the net present value of future cash flows derived from such assets, using cash flow projections that have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters. Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections or changes in its business focus, could significantly affect the Company's impairment evaluation and, hence, results. Management's review includes the key assumptions related to sensitivity in the cash flow projections.

Income taxes and recoverability of potential deferred tax assets

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

3.14 Trade payables and accrued liabilities

Trade payables and accrued liabilities are, in part, obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables and accrued liabilities are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities. Trade payables and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.15 Joint ventures

Pursuant to IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. Joint arrangements represent arrangements in which two or more parties have joint control established by a contractual agreement. Joint control requires unanimous consent for financial and operational decisions. Joint arrangements can be classified as either a joint operation or a joint venture. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Company's initial investment is recognized at cost and subsequently adjusted for the Company's share of the joint venture's income or loss, less distributions received.

4. Adoption of new and revised standards and interpretations

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

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

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

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

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

5. 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 years ended December 31, 2016 and 2015. The Company is not subject to externally imposed capital restrictions.

Risk management and financial instruments

6.1 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 December 31, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short-term nature of the instruments.

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.

6.2 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 ("US") dollars. Financial assets and liabilities denominated in foreign currencies will be affected by changes in the exchange rate between the functional currency and these foreign currencies. The assets and liabilities primarily affected are cash and trade payables and accrued liabilities that are denominated in foreign currencies. The Company has recognized currency exchange gains during the year ended December 31, 2016 of $5,626 (2015 – losses of $2,252).

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

b. Fair value

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

(expressed in Canadian dollars)

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 December 31, 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 December 31, 2016 and 2015, the prepaid expenses of the Company are detailed as follows:

	December 31, 2016	December 31, 2015
	$	$
Deposit on purchase of shrimp oil	**-**	77,922
Administration	**1,350**	-
Insurance	**4,199**	4,199
Investor relations	**25,000**	-
Marketing	**169,873**	-
Total	**200,422**	82,121

8. *Acquisitions*

For accounting purposes, the Pure Polar Acquisition and the 70717 (in 2015) Acquisition are treated as a step-acquisitions and are accounted for pursuant to IFRS 3 – *Business Combinations*, using the acquisition method at the acquisition dates. The acquisitions are treated as if the previously-held equity interest has been disposed of in return (together with the consideration transferred) for the controlling interest in the subsidiary. The fair value of the previously-held equity interest then forms one of the components used to calculate goodwill, together with consideration less the fair value of identifiable net assets.

(i) Pure Polar Labs Inc.

On December 9, 2016, the Company entered into an agreement with its joint-venture partners to acquire the remaining outstanding 66.67% of Pure Polar for $27,813. The Company determined the fair value of its equity interest in the joint venture amounted to its 1/3 share of the cash on hand, immediately before the acquisition, being $1,464.

Loss on revalue of equity interest:

	$
Carrying value of equity interest (at the acquisition date), including initial equity investment	24,885
Acquisition date fair value of equity interest	(1,464)
Loss on revalue of equity interest	**23,421**

(expressed in Canadian dollars)

(ii) 70717 Newfoundland and Labrador Limited (2015)

In July 2015 (closing in August 2015), the Company entered into an agreement with its joint-venture partner to acquire the remaining outstanding 50% of 70717. The Company paid $24,801 to acquire the remaining 50% interest in 70717 and agreed to sell 70717's equipment to its joint venture partner for $1 and 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.

Fair value of net liabilities:

	As at August 10, 2015
	$
Cash	12,382
Recoverable sales taxes	5,245
Account payable and accrued liabilities	(27,302)
Fair value of net liabilities	**(9,675)**

Loss on revalue of equity interest:

	$
Carrying value of equity interest (at the acquisition date), including initial equity investment	13,703
Acquisition date fair value of equity interest	9,675
Loss on revalue of equity interest	**23,378**

9. Investment in joint ventures

9.1 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.

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 December 31, 2015	33,033
Share of loss of joint venture – February 14, 2015 to December 31, 2015	(1)

(expressed in Canadian dollars)

Impairment of investment in joint venture[1]	(33,033)
Investment in joint venture, December 31, 2015	-
Investment in joint venture – January 1, 2016 to December 31, 2016	3,926
Share of loss of joint venture – January 1, 2016 – December 31, 2016	(1,963)
Impairment of investment in joint venture[1]	(1,963)
Investment in joint venture, December 31, 2016	**-**

[1]As the joint venture has had negligible operations, the Company has taken an impairment on its equity in this investment.

Summarized financial information of 2453969 at 100%:

As at	**December 31, 2016**	December 31, 2015
	$	$
Assets		
Investment in Pure Polar joint venture	**-**	66,066
Net assets	**-**	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)
Year ended December 31, 2016	(3,926)
Cumulative losses to December 31, 2016	**(47,511)**

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:

(expressed in Canadian dollars)

As at	December 31, 2016	December 31, 2015
	$	$
Cumulative losses of 2453969	**(47,511)**	(43,585)
Company's share of cumulative losses at 50%	**(23,755)**	(21,792)
Impairment of Pure Polar losses[1]	**19,469**	21,791
Impairment of 2453969 losses[1]	**1,963**	-
Cumulative investment	**2,323**	1
Investment in joint venture at December 31, 2016	**-**	-

[1]As the joint ventures have had negligible operations, the Company has taken an impairment on these investments.

9.2 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 (up to the Pure Polar Acquisition Date) follows:

	$
Initial equity investment in joint venture, September 18, 2015	263
Investment in joint venture – September 18, 2015 to December 31, 2015	65,540
Share of loss of joint venture – September 18, 2015 to December 31, 2015	(21,792)
Share of loss in joint venture – January 1, 2016 to December 9, 2016	1,161
Impairment of investment in joint venture[1]	(45,172)
Investment in joint venture, December 31, 2015 and December 9, 2016	**-**

[1]As the joint venture has had negligible operations, the Company took an impairment on this investment in 2015.

Summarized financial information of Pure Polar at 100% (up to the Pure Polar Acquisition Date), follows:

(expressed in Canadian dollars)

As at	December 9, 2016	December 31, 2015
	$	$
Assets		
Current assets	**4,392**	955
Net assets	**4,392**	955
Cash (included in current assets)	**4,392**	955
Current financial liabilities (included in current liabilities)	**-**	-

The following table details the cumulative loss (up to the Pure Polar Acquisition Date) from the operations of Pure Polar:

	Loss from continuing operations
	$
Period from September 18, 2015 to December 31, 2015	(65,374)
Period from January 1, 2016 to December 9, 2016	**3,483**
Cumulative loss	**(61,891)**

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	December 31, 2016	December 31, 2015
	$	$
Cumulative losses of Pure Polar	**(61,891)**	(65,374)
Company's share of cumulative losses at one-third	**(20,629)**	(21,792)
Cumulative investment (net of impairment)	**20,629**	21,792
Investment in joint venture at December 31, 2016	**-**	-

9.3 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 “70717 Acquisition Date”), 70717 became a wholly owned subsidiary of the Company.

(expressed in Canadian dollars)

Up to the 70717 Acquisition Date, the Company accounted for this arrangement using the equity method and its share of this joint venture’s loss for the period from January 1, 2015 to the 70717 Acquisition Date of $43,430 has been included in the consolidated statements of operations and comprehensive loss.

A continuity of the Company’s investment in 70717 (up to the 70717 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
Investment in joint venture for 2014	114,001
Share of loss of joint venture – June 6, 2013 to December 31, 2013	(314,432)
Share of loss of joint venture for 2014	(88,158)
Investment in joint venture, December 31, 2014	57,040
Share of loss of joint venture for 2015, up to the 70717 Acquisition Date	**(43,430)**
Deemed disposition of investment in joint venture on 70717 Acquisition Date	**(13,610)**
Investment in joint venture, December 2015 and 2016	**-**

The following table details the cumulative loss from the operations of 70717 up to the 70717 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 the Acquisition Date	**(86,860)**
Cumulative loss from continuing operations up to the 70717 Acquisition Date	**(892,040)**

The Company’s portion of the above loss from continuing operations up to the 70717 Acquisition Date is 50% of the stated amount.

(expressed in Canadian dollars)

Reconciliation of above summarized financial information to the carrying amount of the Company's investment in 70717, for the comparative period:

As at	December 31, 2015
	$
Cumulative losses of 70717 (up to the Acquisition Date)	(892,020)
Company's share of cumulative losses at 50%	(446,020)
Cumulative investment	459,630
Deemed disposition on the Acquisition	(13,610)
Investment in joint venture at December 31, 2015	-

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

	December 31, 2016	December 31, 2015
	$	$
Administration	**33,983**	943
Compensation	**50,155**	-
Consulting	**14,114**	-
Investor relations and public reporting costs	**10,914**	1,293
Licence fees	**83,919**	-
Professional fees	**21,780**	40,000
Stock-based compensation	**27,000**	-
Total trade payables and accrued liabilities	**241,865**	42,236

11. Straight-line rent

The Company entered into a 5-year lease (the "Lease") with TransAlta Generation Partnership ("TransAlta"), as further disclosed in notes 13 and 18. 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 13).

12. Secured promissory notes

On May 31, 2016, the Company closed on a bridge loan (the "Loan") in the amount of $400,000 that consisted of $400,000 in promissory notes (the "Notes"), secured with a fixed and floating charge on all assets of the Company and its subsidiaries. The Notes 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.

In September 2016, the Loan plus accrued and penalty interest of $144,000, was repaid.

13. Provision for onerous contract

Lease termination with TransAlta Generation Partnership

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 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 $318,856.

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 December 31, 2016, the carrying value of the onerous contract is $622,596 (December 31, 2015 - $573,306). Interest accretion for the year ended December 31, 2016, was $54,290 (2015 - $64,526).

In the comparative period, the Company recorded a gain resulting from the Termination Agreement in the amount of $838,950, 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. Common shares

Authorized

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

Issued and outstanding

2016:

(i) During October 2016 through December 2016, the Company closed on a non-brokered private placement (the "December 2016 PP") by issuing a total of 21,813,896 units (each a "Unit"), raising gross proceeds of $2,508,598. Each Unit consists of 1 common share of the Company and 1 common share purchase warrant (each a "December Warrant"). Each December Warrant is exercisable into 1 common share at a price of $0.20, for a period of 2 years after closing. The Company paid cash fees of $152,224 and issued 874,615 finders' warrants (each a "Finder's Warrant") and 436,278 corporate finance warrants (each a "Corporate Finance Warrant"). Each Finder's Warrant and each Corporate Finance Warrant may be exercised into 1 common share for $0.115 each, for a period of 2 years after closing. The fair values of the December Warrants, the Finder's Warrants and the Corporate Finance Warrants of $1,179,378, $51,454 and $26,795 respectively, were estimated using the Black-Scholes option-pricing model using the weighted-average input variables as follows: Expected life of 2.0 years, expected risk-free rate of 0.63%, expected volatility of 235.54%, common share price of $0.129 and a dividend yield of 0%. The cash finder's fees, fair value of the Finder's Warrants and Corporate Finance Warrants have been allocated to common shares and warrants on the same percentage as the fair value of the warrants.

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

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

(iv) In January 2016, the Company issued 3,571 common shares at $0.70 per share (after giving effect for the Consolidation), in exchange for partial December 2015 management fees ($2,500) due to RG Management Services Inc. ("RGMS") (see note 15).

2015:

(v) In December 2015, the Company closed on Tranche 1 of a non-brokered private placement (the "December 2015 PP"), whereby the Company issued an aggregate of 80,500 units (each a "December 2015 Unit") at $0.70 per December Unit (after giving effect for the Consolidation), for gross proceeds of $56,350. Each December 2015 Unit consisted of one common share of the Company and one-half-of-one common share purchase warrant. Each whole warrant (a "December 2015 Warrant") entitles the holder to purchase one common share of the Company at a price of $1.00 per share (after giving effect for the Consolidation) until December 18, 2017. The Company paid finders' fees of $2,500 toward this financing. The fair value of the warrants of $6,231 was estimated using the Black-Scholes option pricing model with the input variables noted below.

(expressed in Canadian dollars)

(vi) In December 2015, the Company had subscription receipts totalling $14,000. The subscription receipts were exchanged in January 2016, with the Company issuing 20,000 units (each a "January 2016 Unit") at $0.70 (after giving effect for the Consolidation) per January Unit. Each January 2016 Unit consisted of one common share of the Company and one-half-of-one common share purchase warrant. Each whole warrant (a "January 2016 Warrant") entitles the holder to purchase one common share of the Company at a price of $1.00 per share (after giving effect for the Consolidation) until January 13, 2018.

(vii) In December 2015, the Company issued 3,571 shares at $0.70 per share (after giving effect for the Consolidation), in exchange for partial November 2015 management fees ($2,500) due to RGMS (see note 15), the Company's management services provider.

(viii) In November 2015, the Company issued 5,000 shares at $0.50 per share (after giving effect for the Consolidation), in exchange for partial October 2015 management fees ($2,500) due to RGMS (see note 15).

(ix) In April 2015, the Company closed a non-brokered private placement whereby the Company issued an aggregate of 1,000,000 units (each an "April 2015 Unit") at $1.00 per April 2015 Unit (after giving effect for the Consolidation), for gross proceeds of $1,000,000. Each April 2015 Unit consisted of one common share of the Company and one-half-of-one common share purchase warrant (each an "April 2015 Warrant"). Each April 2015 Warrant entitles the holder to purchase one common share of the Company at a price of $1.50 per share (after giving effect for the Consolidation) 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 estimated using the Black-Scholes option pricing model with the input variables as noted below.

(x) In April 2015, the Company issued 7,500 shares at $1.00 each (after giving effect for the Consolidation), on 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 grant-date fair value of the December 2015 Warrants and the April 2015 Warrants were estimated using the Black-Scholes option pricing model with the following average input variables: Expected warrant life of 2.0 years, expected risk-free rate of 0.61%, expected volatility of 125.12%, common share price of $1.80 and a dividend yield of 0%.

Warrants

The outstanding issued warrants balance as at December 31, 2016 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price $	Fair value $
April 17, 2017	Warrants	500,000[1]	1.50[1]	393,939

(expressed in Canadian dollars)

December 18, 2017	Warrants	40,250[1]	1.00[1]	6,231
January 13, 2018	Warrants	27,857[1]	1.00[1]	8,667
March 21, 2018	Warrants	241,300[1]	0.80[1]	43,450
April 28, 2018	Warrants	30,000[1]	0.80[1]	5,625
October 11, 2018	Warrants	7,953,862	0.20	403,570
October 12, 2018	Warrants	2,915,868	0.20	151,419
October 12, 2018	Finders' Warrants	361,760	0.115	20,046
October 12, 2018	Corporate Finance Warrants	225,895	0.115	12,529
October 26, 2018	Warrants	5,720,220	0.20	288,264
October 26, 2018	Finders' Warrants	360,108	0.115	18,142
October 26, 2018	Corporate Finance Warrants	105,904	0.115	5,557
December 12, 2018	Warrants	5,006,546	0.20	257,769
December 12, 2018	Finders' Warrants	152,747	0.115	10,562
December 12, 2018	Corporate Finance Warrants	100,131	0.115	7,047
December 13, 2018	Warrants	217,400	0.20	10,877
December 13, 2018	Corporate Finance Warrants	4,348	0.115	315
Total		**23,964,196**	**0.561**	**1,644,009**

[1]After giving effect for the Consolidation

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

	December 31, 2016		December 31, 2015	
	Weighted Average Exercise Price[1]	**Number of Warrants[1]**	Weighted Average Exercise Price[1]	Number of Warrants[1]
	$		$	
Outstanding at beginning of year	**2.75**	**1,004,679**	4.19	1,093,661
Transactions during the year:				
Granted	**0.20**	**23,423,946**	1.46	540,250
Expired	**(3.09)**	**(464,429)**	(5.00)	(629,232)
Outstanding at end of year	**0.23**	**23,964,196**	2.75	1,004,679

[1]After giving effect for the Consolidation.

Contributed surplus

At the ASM, shareholders approved a change to the Company's fixed stock option plan, allowing it to convert to a 10% rolling stock option plan (the "Plan"). Pursuant to the Plan, options to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at December 31, 2016, 2,280,026 (2015 – 171,596, after giving effect for the Consolidation), pursuant to the Company's previous fixed stock option plan) 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 10% of the issued and outstanding common shares of the Company, less the number of options currently issued;

(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 TSX Venture Exchange ("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;

(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;

(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:

(expressed in Canadian dollars)

	December 31, 2016		December 31, 2015	
	Weighted Average Exercise Price[1]	**Number of Options[1]**	Weighted Average Exercise Price[1]	Number of Options[1]
	$		$	
Outstanding at beginning of year	**1.42**	**502,756**	1.70	337,924
Transactions during the year:				
Granted	**0.50**	**90,000**	0.91	217,566
Exercised	**-**	**-**	1.00	(7,500)
Forfeit	**1.00**	**(4,000)**	1.00	(45,234)
Outstanding at end of year	**0.15[2]**	**588,756**	1.42	502,756
Exercisable at end of year	**0.15[2]**	**588,756**	1.45	497,007

[1]After giving effect for the Consolidation.
[2]After giving effect for the Re-pricing.

The following table provides additional information about outstanding stock options at December 31, 2016:

Range of Exercise Prices	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
$0.15	588,756	5.9	0.15
Exercisable	558,756	5.9	0.15

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

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

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 $0.63 (after giving effect for the Consolidation). The estimated grant-date fair value of the 2015 issued options is $184,000.

(expressed in Canadian dollars)

As at December 31, 2016, the weighted average remaining contractual lives of the stock options were 5.9 years (December 31, 2015 – 7.3 years).

Share-based payments

The fair value of the stock options vested for the year ended December 31, 2016 was $39,400 (2015 – $139,492), which amount has been expensed in the consolidated statements of operations and comprehensive loss and off-set to contributed surplus.

Subsequent to December 31, 2016, the Company issued 222,222 options (see note 20(i)), as bonus compensation related to 2016 performance objectives. The fair value of $27,000 of these options has been recorded in the consolidated statements of operations and comprehensive loss and off-set to accrued liabilities. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.14%; expected volatility of 165%; expected life of 3.53 years; expected dividends of $nil and common share price of $0.135. The estimated grant-date fair value of these options is $27,000.

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:

Years ended	**December 31, 2016**	December 31, 2015
	$	$
Compensation to key management	**333,158**	213,618
Consulting fees to key management	**120,000**	125,000
Legal fees	**6,528**	7,298
Rent	**1,350**	-
Share-based payments	**44,474**	124,492

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

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

(expressed in Canadian dollars)

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

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

16. Research and development costs

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

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

17. Segmented information

Segments under development

At December 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	**December 31, 2016**	December 31, 2015
	$	$
Identifiable assets:		
Shrimp oil	**4,480**	77,922
Corporate	**1,027,045**	64,250
	1,031,525	142,172

(expressed in Canadian dollars)

Years ended	December 31, 2016	December 31, 2015
	$	$
Revenue streams:		
Extended release Omega3 tablets	**7,925**	1,450
	7,925	1,450
Loss and comprehensive net loss:		
Algal oil	**(162,451)**	(122,363)
Shrimp oil – loss prior to impairment of intangible assets (note 8)	**(102,768)**	(461,727)
Shrimp oil – impairment of intangible assets	**-**	(339,791)
Extended release Omega3 tablets	**(59,799)**	(240,044)
Corporate	**(1,625,844)**	62,417
	(1,950,862)	(1,101,508)

Years ended	December 31, 2016	December 31, 2015
Cash used for operations:		
Algal oil (2013 - Integrated Biogas Refinery™ platform)	**(157,451)**	(114,113)
Shrimp oil	**(100,268)**	(454,227)
Extended release Omega3 tablets	**(29,951)**	(310,466)
Corporate	**(1,356,944)**	(356,841)
	(1,614,614)	(1,235,647)

Geographic segments

BOC operates in two geographic segments being Canada and the United States. As the Company is still ostensibly pre-revenue and in its development stage, most operations have been performed in Canada.

As at	December 31, 2016	December 31, 2015
	$	$
Identifiable assets:		
Canada	**1,027,045**	142,172
United States	**4,480**	-

(expressed in Canadian dollars)

	1,031,525	142,172

Years ended	**December 31, 2016**	December 31, 2015
	$	$
Revenue streams:		
Canada	**7,925**	1,450
Loss and comprehensive net loss:		
Canada	**(1,950,950)**	(1,011,58)
United States	**88**	-
	(1,950,862)	(1,101,508)

Years ended	**December 31, 2016**	December 31, 2015
Cash used for operations:		
Canada	**(1,644,702)**	(1,235,647)
United States	**88**	-
	(1,644,614)	(1,235,647)

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.

Pursuant to the Licence, the Company has an annual obligation to pay a minimum fee of US$250,000 ($335,675), which continues until the licence expires on December 16, 2024 or terminates (in which case a pro-rata payment equal to the annual amount multiplied by the number of months that have elapsed since the prior October 1st).

(expressed in Canadian dollars)

As at December 31, 2016, the Company has minimum cash commitments as follows:

Year	**Amount $Cdn**	**Amount $US**
2017	642,700	250,000 (335,675)
2018	-	250,000 (335,675)
2019	-	250,000 (335,675)
2020	-	250,000 (335,675)
2021	-	250,000 (335,675)
2022	-	250,000 (335,675)
2023	-	250,000 (335,675)
2024[1]	-	302,003 (405,607)

[1]Includes pro-rata payment due of US$31,644 from October 1, 2014 to December 16, 2014

19. Income taxes

Deferred income tax expense (recoveries)

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2016	2015
	$	$
Loss before income taxes	**(1,950,862)**	(1,101,508)
Combined statutory rate	**26.5%**	26.5%
Expected income tax benefit	**517,000**	291,900
Non-deductible expenses	**(31,000)**	(37,000)
Change in unrecognized deferred tax asset	**(486,000)**	(254,900)
Deferred income tax recovery	**-**	-

The Canadian statutory income tax rate of 26.5% (2015 – 26.5%) is comprised of the federal income tax rate of approximately 15% (2015 – 15%) and the provincial income tax rate of approximately 11.5 % (2015 – 11.5%).

The Company also has non-capital loss carry-forwards of $10,219,000 (2015 - $7,506,000) for which no benefit has been recognized in the Consolidated Financial Statements. These non-capital losses expire as follows:

(expressed in Canadian dollars)

Year	**Amount**
	$
2030	112,000
2031	508,000
2032	1,791,000
2033	2,315,000
2034	1,999,000
2035	1,561,000
2036	1,933,000
Total	10,219,000

Deferred income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2016	December 31, 2015
Deferred income tax assets	**$**	$
Non-capital losses carry-forward	10,219,000	7,506,000
Financing costs	209,000	215,000
SR&ED pool	37,000	37,000
Deductible temporary differences[1]	**10,465,000**	7,758,000

[1]Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries will be able to utilize the benefits.

20. Subsequent events

(i) Subsequent to December 31, 2016, the Company issued 2,261,506 options to eligible participants of the Plan. The options vest over various periods but ending by December 31, 2018, have a 5-year term and are exercisable between $0.135 and $0.15.

(ii) In January 2017, 5,500 options were forfeit by holders that were no longer eligible for participation in the Plan. The forfeit options had exercise prices between $1 and $3 dollars and maturities of January 1, 2024 and 2025.

(iii) On April 17, 2017, 500,000 warrants with an exercise price of $1.50, expired.