KAROO EXPLORATION CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(Expressed in Canadian Dollars)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATIONS AUDITORS

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016 AND DECEMBER 31, 2015
(Expressed in Canadian Dollars)
(Unaudited)

	2016	2015
ASSETS		
Current		
Cash	$ 3,275	$ 7,460
Receivables	3,12	815
	3,587	8,275
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 78,538	$ 69,181
Due to related parties (Note 7)	117,961	99,743
	196,499	168,924
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 6)	1,691,678	1,669,178
Reserves	10,067	10,067
Deficit	(1,908,640)	(1,849,358)
Accumulated other comprehensive income	13,983	9,464
	(192,912)	(160,649)
	$ 3,587	$ 8,275

Nature of operations (Note 1)
Going concern (Note 2)

Approved on behalf of the Board of Directors on November 29, 2016:

Jim Walchuck Director *Halsey Johnston* Director

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
EXPENSES				
Consulting fees (Note 7)	$ 7,500	$ 288	$ 28,500	$ 14,328
General and administrative	2,866	4,471	11,904	28,824
Professional fees	3,000	5,443	21,250	15,625
	(13,366)	(10,202)	(61,654)	(58,777)
Proceeds on asset sale	-	45,129	-	45,129
Foreign exchange gain	-	-	-	(1,647)
Other income	-	-	2,894	7,237
Finance expense	(1,081)	(565)	(1,622)	-
Income (loss) for the period	(14,447)	34,362	(60,382)	(8,058)
Comprehensive income (loss) for the period	$ (14,447)	$ 34,362	$ (60,382)	$ (8,058)
Basic and diluted income (loss) per common share	$ 0.00	$ 0.00	$ 0.00	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	20,725,313	20,725,313	20,725,313	20,725,313

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(Expressed in Canadian Dollars)
(Unaudited)

		2016		2015
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (loss) for the period	$	(60,382)	$	(8,058)
Items not affecting cash:				
Changes in non-cash working capital items:				
Receivables		503		(3,001)
Prepaid expenses		-		4,350
Accounts payable and accrued liabilities		9,357		2,815
Due to related parties		19,318		(2,400)
Net cash used in operating activities		(31,204)		(6,294)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash proceeds from advanced subscription	$	22,500	$	-
Effect of foreign exchange rate		4,519		-
Decrease in cash during the period		(4,185)		(6,294)
Cash, beginning of year		7,460		11,697
Cash, end of period	$	3,275	$	5,403

Supplemental disclosures with respect to cash flows (Note 8)

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
SEPTEMBER 30, 2016 AND 2015
(Expressed in Canadian Dollars)
(Unaudited)

	Capital Stock										
	Number		Amount		Reserves		Deficit		Accumulated other comprehensive income (loss)		Total
Balance December 31, 2014	**20,725,313**	**$**	**1,669,178**	**$**	**10,067**	**$**	**(1,888,589)**	**$**	**24,891**	**$**	**(184,453)**
Loss for the period	-		-		-		(8,058)		-		(8,058)
Balance September 30, 2015	**20,725,313**	**$**	**1,669,178**	**$**	**10,067**	**$**	**(1,896,647)**	**$**	**24,891**	**$**	**(192,511)**
Balance December 31, 2015	**20,725,313**	**$**	**1,669,178**	**$**	**10,067**	**$**	**(1,849,358)**	**$**	**9,464**	**$**	**(160,649)**
Cash proceeds from advance subscription	-		22,500		-		-		-		22,500
Loss for the period	-		-		-		(60,382)		-		(60,382)
Translation adjustment	-		-		-		-		4,519		4,519
Balance September 30, 2016	**20,725,313**	**$**	**1,691,678**	**$**	**10,067**	**$**	**(1,908,640)**	**$**	**13,983**	**$**	**192,912**

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

1. NATURE OF OPERATIONS

Karoo Exploration Corp. (the "Company" or "Karoo") is a corporation continued under the laws of British Columbia and extra provincially registered in Alberta. The Company is in the process of exploring and evaluating its mineral property interests in Tanzania and Canada and has not yet determined whether these mineral interests contain ore reserves which are economically recoverable. The Company's head office is located at 2206 - 1483 Homer Street, Vancouver, BC V6Z 3C7. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "KE".

The Company was created on August 15, 2013, pursuant to the Business Corporations Act (British Columbia). These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary U3o8 Exploration Limited and 095406 BC Ltd.

2. GOING CONCERN

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

As at September 30, 2016, the Company had a working capital deficiency of $192,912 (December 31, 2015 – working capital deficiency of $160,649).

The current market conditions and volatility increases the uncertainty of the Company's ability to continue as a going concern. The Company is experiencing negative cash flows from operations, and has an accumulated deficit. The Company will continue to search for new or alternate sources of financing in order to continue its operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the Company's statements of financial position.

3. BASIS OF PRESENTATION

Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2016.

The consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2016.

Basis of measurement

The consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

These consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiaries 0954046 BC Ltd. ("PrivCo") (incorporated in Canada) and U3o8 Exploration Ltd. ("U3o8") (incorporated in Tanzania). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

Critical accounting judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical judgments in applying accounting policies

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and PrivCo has been determined to be the Canadian dollar, while the functional currency of U3o8 has been determined to be the United States dollar.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 4 to the audited consolidated financial statements for the year ended December 31, 2015, and have been consistently followed in the preparation of these consolidated condensed interim financial statements except as disclosed below.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

New accounting standards adopted effective January 1, 2016

There were no new or revised accounting standards scheduled for mandatory adoption on January 1, 2016, and thus no standards were adopted in 2016.

Accounting Standards and Amendments Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements.

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have a material effect on the Company's future results and financial position:

The following standards will be adopted by the Company effective January 1, 2018:

- IFRS 15 '*Revenue from Contracts with Customers':* In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, 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.

- IFRS 9 '*Financial Instruments':* The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments.

The following standard will be adopted by the Company effective January 1, 2019:

- IFRS 16 'Leases': IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

5. EXPLORATION AND EVALUATION ASSETS

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

A. Kalulu

On August 9, 2012, (amended September 17, 2015) the Company entered into a property option agreement (the "Agreement") with Tanzania Minerals Corp. ("Tanzania Minerals"), with which the Company shares common directors and officers. Under the terms of the Agreement, the Company has the option to earn an undivided 100% interest in certain mineral property claims in the Kalulu region of Tanzania. Upon having exercised the option, the Company would grant a 2% NSR (net smelter royalty) to Tanzania Minerals, one half of which can be repurchased by Karoo for $2,000,000, and the other half can be repurchased by Karoo for $5,000,000.

In order to exercise the option with Tanzania Minerals:

a) the Company must make the following share payments:

- Issue 1,000,000 common shares of the Company, on or before 1 year from the Agreement date (issued at a value of $20,000).
- Issue an additional 500,000 common shares of the Company, on or before August 9, 2016;
- Issue an additional 500,000 common shares of the Company, on or before August 9, 2017; and

b) the Company must incur expenditures of not less than $750,000 as follows:

- $150,000 on or before 1 year from the Agreement date (completed);
- an additional $250,000 on or before August 9, 2016;
- an additional $350,000 on or before August 9, 2017.

During the year ended December 31, 2014, the Company has written off all capitalized costs of $372,550 related to the Kalulu property. Karoo is in discussions with Tanzania Minerals to extend the terms of this agreement.

B. Pine Lake

The Company held a 50% interest in mineral claims in the Northern Mining District, Saskatchewan. The other 50% interest is held by Claude Resources Inc. ("Claude"). During the year ended December 31, 2014 the Company decided not to pursue these claims and wrote off $50,208 in associated costs to operations. During the year ended December 31, 2015, the Company sold its 50% interest in the Pine Lake mineral claims to Claude for 73,529 common shares of Claude valued at $50,000.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK

The authorized capital stock of the Company is unlimited common shares without par value. During the nine months ended September 30, 2016 cash proceeds of $15,000 were received for future private placements. No capital stock was issued related to these cash proceeds received.

As at September 30, 2016, Nil (December 31, 2015 – 719,675) common shares are held in escrow.

The authorized capital stock of the Company is unlimited common shares without par value. During the year ended December 31, 2015, the Company had no capital stock transactions.

Stock options

As at September 30, 2016 and December 31, 2015, the Company had no stock option plan and no stock options outstanding.

Warrants

The following is a summary of warrants outstanding as at September 30, 2016 and December 31, 2015.

	2016		2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	-	$ -	2,359,620	$ 0.15
Expired	-	$ -	(2,334,620)	$ 0.15
Balance, end of the period	-	$ -	-	$ -

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Short-term benefits*	$ 28,500	$ 14,000
	$ 28,500	$ 14,000

*included in consulting fees

Other related parties

Other related parties include Tanzania Minerals Corp. which shares two directors.

a) As at September 30, 2016, a note payable of $86,520 (December 31, 2015 - $86,520) was included in due to related parties and was due to Tanzania Minerals Corp. on June 25, 2016. Interest, at an annual rate of 2.5%, is payable on the outstanding balance on a quarterly basis. Interest payable as at September 30, 2016 of $3,785 (December 31, 2015 - $2,163) has been accrued. As at September 30, 2016 the note payable and accrued interest remain outstanding. Karoo is in discussions with Tanzania Minerals to extend the terms of the note payable.

b) As at September 30, 2016, due to related parties included $32,175 (December 31, 2015 - $11,060) which is due to the CFO of the Company. The amount is non-interest bearing with no fixed terms of repayment.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no non-cash transactions during the nine months ended September 30, 2016 or the year ended December 31, 2015.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of its exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company considers components of equity.

The properties in which the Company currently has an interest are in the exploration stage as such the Company relies on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

The Company is not subject to externally imposed capital requirements.

There were no changes to management's approach to capital management during the nine months ended September 30, 2016.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and due to related parties. The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximates their carrying value, which is the amount on the consolidated statement of financial position due to their short-terms or ability of prompt liquidation. The Company's other financial instrument, cash, under the fair value hierarchy is measured at fair value, based on level one quoted prices in active markets for identical assets or liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as its cash is held at a large Canadian bank.

The Company's receivables consist mainly of input tax credits receivable from the Government of Canada, and as a result the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had cash of $3,587 to settle current liabilities of $196,499. The Company will have to raise additional funds in order to meet its obligations as they become due.

10. FINANCIAL INSTRUMENTS (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest bearing debt. The interest earned on cash is insignificant, and the interest bearing debt is fixed at 2.5%. The Company is not subject to significant interest rate risk.

b) Currency risk

The Company's operations are in Canada and Tanzania. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company does not have any foreign currency exposure as at September 30, 2016.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties located in Tanzania.