KAROO EXPLORATION CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(Expressed in Canadian Dollars)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATIONS AUDITORS

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2017 AND DECEMBER 31, 2016
(Expressed in Canadian Dollars)
Unaudited

	2017	2016
ASSETS		
Current		
Cash	$ 686	$ 1,118
Receivables	1,307	1,749
	$ 1,993	$ 2,867
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 124,248	$ 145,771
Due to related parties (Note 7)	160,156	153,396
Loan (Note 8)	46,603	-
	331,007	299,167
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 6)	1,669,178	1,669,178
Reserves	10,067	10,067
Deficit	(2,007,503)	(1,987,556)
Accumulated other comprehensive income	(756)	12,011
	(329,014)	(296,300)
	$ 1,993	$ 2,867

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

Approved on behalf of the Board of Directors on August 31, 2017:

Jim Walchuck Director *Neil MacRae* 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 SIX MONTHS ENDED JUNE 30
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
EXPENSES				
Consulting fees (Note 7)	$ 2,625	$ 10,500	$ 11,850	$ 21,000
General and administrative	3,446	6,644	14,242	9,038
Professional fees	2,750	-	5,540	18,250
	(8,821)	(17,144)	(31,632)	(48,288)
Foreign exchange gain (loss)	90	-	12,767	-
Other Income	-	705		2,894
Finance expense	(541)	-	(1,082)	(541)
Income (loss) for the period	(9,272)	(16,439)	(19,947)	(45,935)
Translation adjustment	(756)	-	(12,767)	-
Comprehensive income (loss) for the period	$ (10,028)	$ (16,439)	$ (32,713)	$ (45,935)
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 SIX MONTHS ENDED JUNE 30
(Expressed in Canadian Dollars)
Unaudited

	2017	2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Income (loss) for the period	$ (19,947)	$ (45,935)
Items not affecting cash:		
Unrealized foreign exchange	-	-
Changes in non-cash working capital items:		
Receivables	442	(2,209)
Accounts payable and accrued liabilities	(21,523)	23,082
Due to related parties	6,760	(5,195)
Net cash used in operating activities	(34,268)	(30,257)
CASH FLOWS FROM FINANCING ACTIVITES		
Loan proceeds	46,603	22,500
Net cash provided by financing activities	46,603	22,500
Effect of foreign exchange effect	(12,767)	5,195
Increase (decrease) in cash during the period	(432)	(2,562)
Cash, beginning of year	1,118	7,460
Cash, end of period	$ 686	$ 4,898

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)
Unaudited

	Capital Stock					
	Number	Amount	Reserves	Deficit	Accumulated other comprehensive income (loss)	Total
Balance December 31, 2015	**20,725,313**	**$ 1,669,178**	**$ 10,067**	**$ (1,849,358)**	**$ 9,464**	**$ (160,649)**
Loss for the period	-	-	-	(45,935)	-	(45,935)
Translation adjustment	-	-	-	-	5,195	5,195
Balance June 30, 2016	**20,725,313**	**$ 1,669,178**	**$ 10,067**	**$ (1,895,293)**	**$ 14,659**	**$ (201,389)**
Balance December 31, 2016	**20,725,313**	**$ 1,669,178**	**$ 10,067**	**$ (1,987,556)**	**$ 12,011**	**$ (296,300)**
Loss for the period	-	-	-	(19,947)	-	(19,947)
Translation adjustment	-	-	-	-	(12,767)	(12,767)
Balance June 30, 2017	**20,725,313**	**$ 1,669,178**	**$ 10,067**	**$ (2,007,503)**	**$ (756)**	**$ (329,014)**

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 earning into a mineral property interest in Tanzania. The Company's head office is located at Suite 880 - 580 Hornby Street, Vancouver, BC V6C 3B6. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "KE.H".

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 June 30, 2017, the Company had a working capital deficiency of $329,014 (December 31, 2016 – working capital deficiency of $296,300).

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 June 30, 2017.

The consolidated financial statements were authorized for issue by the Board of Directors on August 31, 2017.

Basis of measurement

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

These consolidated interim 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, 2016, and have been consistently followed in the preparation of these consolidated condensed interim financial statements except as disclosed below.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2017. This new standard has had no significant impact on the Company's consolidated financial statements.

- IFRS 16: Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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 March 13, 2017) 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 an additional 500,000 common shares of the Company, on or before August 9, 2017;
- Issue an additional 500,000 common shares of the Company, on or before August 9, 2018; and

b) the Company must incur expenditures of not less than $600,000 as follows:

- an additional $250,000 on or before August 9, 2017;
- an additional $350,000 on or before August 9, 2018.

The Company currently is in negotiations with Tanzania Minerals to extend the terms of this option agreement.

6. CAPITAL STOCK

The authorized capital stock of the Company is unlimited common shares without par value. During the three months ended June 30, 2017 the Company completed a 13.5 to 1 capital stock consolidation. As of the date of this report the roll back has not become effective. The Company has 20,725,313 shares issued and outstanding.

During year ended December 31, 2016, the Company had no capital stock transactions.

As at June 30, 2017, Nil (December 31, 2016 – Nil) common shares are held in escrow.

Stock options

As at June 30, 2017 and December 31, 2016 the Company had no stock option plan and no stock options outstanding.

Warrants

As at June 30, 2017 and December 31, 2016 the Company had no warrants outstanding.

(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 six months ended June 30, 2017	June 30, 2016
Short-term benefits*	$ 11,850	$ 21,000
	$ 11,850	$ 21,000

*included in consulting fees

Other related parties

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

a) As at June 30, 2017, a note payable of $86,520 (December 31, 2016 - $86,520) was included in due to related parties was owed to Tanzania Minerals Corp. and is due on June 25, 2017. Interest, at an annual rate of 2.5%, is payable on the outstanding balance on a quarterly basis. Interest payable as at June 30, 2017 of $5,408 (December 31, 2016 - $4,326) has been accrued. The Company currently is in negotiations to extend the due date related to this payable.

b) As at June 30, 2017, due to related parties includes $41,961 (December 31, 2016 - $40,050) which is due to the Chief Financial Officer of the Company. The amount is non-interest bearing with no fixed terms of repayment.

c) As at June 30, 2017, due to related parties includes $3,186 (December 31, 2016 - $Nil) which is due to the Corporate Secretary of the Company. The amount is non-interest bearing with no fixed terms of repayment.

d) As at June 30, 2017, due to related parties includes $22,500 (December 31, 2016 - $22,500) which is due to a company which had a common director with the Company. The amount is non-interest bearing with no fixed terms of repayment.

8. LOAN

Loan proceeds of $46,603 were received during the period ended June 30, 2017. The loan is non-interest bearing with no fixed terms of repayment.

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 of its exploration and evaluation asset. 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 Company.

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

The Company relies on the equity markets and related party advances 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 period ended June 30, 2017.

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 June 30, 2017, the Company had cash of $686 to settle current liabilities of $331,007. 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 currently 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. Any 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 has negligible foreign currency exposure as at June 30, 2017.

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.

12. SUBSEQUENT EVENTS

On July 19, 2017, the Company entered into a letter of intent (LOI) with Bruin Point Energy Ltd. (Bruin) whereby the Company will acquire all the outstanding shares of Bruin in exchange for 23 million shares in the Company post consolidation. Bruin is engaged in the exploration and development of helium in North America.