ANNUAL REPORT 2012

www.fjordlandex.com

To Fellow Shareholders:

The past year has been a challenging one for the mining industry and the entire investment community, despite further strong growth of the base and precious metals industries globally, particularly gold and copper, the primary commodities of importance to Fjordland. The long-term fundamentals for these metals remain strong due largely to continued high economic growth in China and India. Fjordland has been working hard to meet the challenges which face our industry. During 2012 we did not seek any new financing; rather we carried out limited field programs using monies made available through our Joint Venture partners, or with remaining flow through funds. We have maintained our large portfolio of gold-copper properties, and are truly well positioned for discovery and growth!

Our focus continues on the discovery of copper-gold-molybdenum porphyry-type deposits in British Columbia. Our portfolio currently includes over 25 properties located in some of the most geological prospective areas of central British Columbia, with the additional benefit of easy road access and situated in mining-friendly environments.

On January 23, 2012, Fjordland signed an option agreement with Almaden Minerals Ltd. to acquire a 100% interest in the Dill Property, which adjoins our recently optioned Dillard Property to the east (together termed "Dillard"). During 2012, Fjordland salvaged and restored about 40% of the 1991 core (Dill Property), completed selected ground magnetometer and induced polarization surveys over the Dillard Property and toured several major companies interested in a possible Joint Venture Agreement. Several anomalies have been identified for drilling.

On April 3, 2013, Fjordland signed a Letter of Intent and Preliminary Agreement with Sumac Mines Ltd. (a 100% subsidiary of Sumitomo Metal Mining America Inc. of Japan) on the "Dillard" property, including a strategic alliance within a 20-km area of interest. Sumac may earn a 51% interest in the Project by making aggregate expenditures of $3.5 million over a three year period. Following Sumac completing the required earn-in expenditures and exercising their option, a joint venture for the Project will be formed. With its commodity expertise, financial resources and technical skills, we look forward to a very active exploration season with Sumac during 2013 in advancing the Dillard Project.

On January 17, 2012, Fjordland reported encountering copper-gold mineralization in four widely-space diamond drill holes on its Tak (Moffat) Property, which adjoins the rapidly expanding Woodjam copper-gold-molybdenum Property to the south. During June, Joint Venture partner Capstone completed a four-hole diamond drilling program on the Tak (Tisdall) Property; Capstone also earned in for a 49% interest in the Tak-Milligan Project. In early September, after spending a total of approximately $1.2 million over the past two years, Capstone elected not to proceed with the option; Fjordland now owns a 100% interest in five properties comprising the Tak Project. We are currently looking for a Joint Venture partner for this Project.

During 2012, Fjordland again elected not to participate in funding our proportionate share of the QUEST Joint Venture (with Serengeti Resources Inc.), in order to preserve capital and minimize share dilution. Ten porphyry properties, located between the Mount Polley and Mt. Milligan mines, are currently in the JV. Fjordland's interest has been diluted to 34.8%; we maintain the right to participate in any future work in the QUEST project. Discussions with third parties are in progress regarding a possible agreement on some or all the properties.

Over the winter of 2011 and during 2012, Xstrata Copper Canada, under an option agreement, completed infill and expanded induced polarization surveys on six of the original QUEST JV properties. Although Xstrata has returned five of the properties to the QUEST JV, drilling is planned for the Ping Property in Spring, 2013.

On February 28, 2013, Fjordland and Serengeti announced that they had consolidated their adjoining Milligan South (100% FEX) and Mil (65% SIR/35% FEX) properties into a single (50%/50% JV) "Milligan West" Property, via an amendment to their previous QUEST JV agreement, dated February 21, 2008. The Property (15,736 hectares) adjoins the western boundary of Thompson Creek Metals Ltd's Mt. Milligan gold-copper project, which is scheduled to commence production later this year, following a capital investment estimated at $1.5 billion. Several attractive anomalies exist on Milligan West; Fjordland and Serengeti are currently looking for a Joint Venture partner for this Project.

On February 28, 2012, Fjordland terminated its Kimberley Gold Trend option agreement with Kootenay Gold Inc., after late-2011 and early 2012 small drilling programs on the Red Lobster and GCP sedex-style properties, respectively. Fjordland owns a 100% interest in the St. Mary and Bootleg properties in the Southeast.

As part of our strategy, we continue to look at all our assets for ways to leverage and extract value, either on our own or as part of a joint venture. We are particularly excited about advancing our Dillard, Tak and Milligan West Projects during 2013.

On behalf of the Board of Directors and the management team of Fjordland, I sincerely thank you, the shareholders, for your strong support and confidence during the past year.

Respectfully,

"Tom G. Schroeter"

Tom G. Schroeter
President, CEO & Director
April 25, 2013

December 31, 2012
(Canadian Funds)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fjordland Exploration Inc.

We have audited the accompanying consolidated financial statements of Fjordland Exploration Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive loss, cash flows and shareholders' equity for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Fjordland Exploration Inc. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Fjordland Exploration Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 25, 2013

FJORDLAND EXPLORATION INC.
Consolidated Statements of Financial Position
December 31
(Expressed in Canadian Dollars)

	Note		**2012**		2011
Assets					
Current					
Cash		$	46,685	$	593,153
Receivables	5		185,304		119,711
Prepaids			4,286		4,242
			236,275		717,106
Mineral Properties	8		835,352		798,756
Deposits	7		30,049		48,549
Equipment	6		7,631		9,346
		$	1,109,307	$	1,573,757
Liabilities					
Current					
Accounts payable and accrued liabilities	9	$	29,703	$	162,045
Shareholders' Equity					
Share Capital	11		14,706,512		14,684,512
Share-based Compensation Reserve			380,648		529,884
Deficit			(14,007,556)		(13,802,684)
			1,079,604		1,411,712
		$	1,109,307	$	1,573,757

Nature and continuance of operations *(Note 1)*
Commitments *(Note 16)*
Subsequent events *(Note 17)*

Approved and authorized by the Board on April 25, 2013

On behalf of the Board: *"Thomas G. Schroeter"* Thomas G. Schroeter   *"G. Ross McDonald"* G. Ross McDonald

FJORDLAND EXPLORATION INC.
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31
(Expressed in Canadian Dollars)

	Note		**2012**		2011
General and administrative expenses					
Accounting and audit		$	72,800	$	65,620
Administration fees			42,198		38,032
Consulting fees			-		37,100
Depreciation			2,825		1,638
Filing fees			11,685		14,056
Legal fees			8,783		19,263
Office and printing			24,508		31,299
Rent			42,038		40,727
Shareholders' information			70,218		101,027
Share-based compensation	11(d)		-		21,423
Transfer agent fees			5,619		10,866
Wages and benefits			54,535		43,868
			(335,209)		(424,919)
Interest income			119		324
Property investigation			(185,190)		(25,809)
Cost recoveries	8		173,094		-
Mineral properties written-off	8		(6,922)		(607,932)
Loss and comprehensive loss for the year		$	(354,108)	$	(1,058,336)
Basic and diluted loss per share		$	(0.00)	$	(0.01)
Weighted average shares outstanding			82,106,542		73,423,048

See accompanying notes to the consolidated financial statements

FJORDLAND EXPLORATION INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31
(Expressed in Canadian Dollars)

	2012	2011
Cash provided by (used in):		
Operating activities		
Loss for the year	$ (354,108)	$ (1,058,336)
Items not affecting cash:		
Depreciation	2,825	1,638
Share-based compensation	-	21,423
Mineral properties written-off	6,922	607,932
Net change in non-cash working capital		
Receivables	(51,143)	(55,957)
Prepaid expenses	(44)	938
Accounts payable	(32,184)	13,508
	(427,732)	(468,854)
Financing activities		
Shares issued for cash, net of issue costs	-	1,566,585
Plan of arrangement *(Note 4)*	-	(257,728)
	-	1,308,857
Investing activities		
Recoveries from mineral properties	426,545	707,888
Acquisition and exploration costs related to mineral properties	(562,671)	(1,069,837)
Deposits	18,500	(7,000)
Purchase of equipment	(1,110)	(4,380)
	(118,736)	(373,329)
Change in cash	(546,468)	466,674
Cash position - beginning of year	593,153	126,479
Cash position - end of year	$ 46,685	$ 593,153

Supplemental Disclosure with Respect to Cash Flows *(Note 15)*

See accompanying notes to the consolidated financial statements

FJORDLAND EXPLORATION INC.
Consolidated Statements of Shareholders’ Equity
For the Years Ended December 31

(Expressed in Canadian Dollars)

	Share Capital		Share-based Compensation		Total Shareholder's
	No. of Shares	**Amount**	**Reserve**	**Deficit**	**Equity**
Balance, December 31, 2010	69,064,772	$17,089,990	$1,257,985	$(13,180,504)	$5,167,471
Shares issued for cash					
Private placements, net of issue costs	7,930,065	1,134,418	-	-	1,134,418
Exercise of options	3,244,445	366,167	-	-	366,167
Exercise of warrants	810,000	81,000	-	-	81,000
Issued for other consideration					
Mineral properties	800,000	163,500	-	-	163,500
Transfer to share capital on exercise of options	-	313,368	(313,368)	-	-
Transfer to deficit on expiry of options	-	-	(368,156)	368,156	-
Transfer to deficit on expiry of warrants	-	-	(68,000)	68,000	-
Plan of arrangement *(Note 4)*	-	(4,463,931)	-	-	(4,463,931)
Share-based compensation	-	-	21,423	-	21,423
Loss for the year	-	-	-	(1,058,336)	(1,058,336)
Balance, December 31, 2011	**81,849,282**	**14,684,512**	**529,884**	**(13,802,684)**	**1,411,712**
Issued for other consideration					
Mineral properties	350,000	22,000	-	-	22,000
Transfer to deficit on expiry of options	-	-	(149,236)	149,236	-
Loss for the year	-	-	-	(354,108)	(354,108)
Balance, December 31, 2012	**82,199,282**	**$14,706,512**	**$380,648**	**$(14,007,556)**	**$1,079,604**

See accompanying notes to the consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on September 19, 1996 pursuant to the *Company Act* (British Columbia) and the common shares were listed for trading on the TSX Venture Exchange ("Exchange"). The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flow.

The Company's head office, principal address and registered and records office is 1100, 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

The recovery of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis 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. The Company has incurred ongoing losses. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. These uncertainties cast significant doubt upon the entity's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In November 2011, the Company and Cariboo Rose Resources Ltd ("Cariboo Rose"), partners in the Woodjam Joint Venture, completed an arrangement to form a separate company, Consolidated Woodjam Copper Corp. ("CWCC"), to hold their interests in the Woodjam Joint Venture. The arrangement became effective on November 25, 2011 and pursuant to the terms of the arrangement, the Company's shareholders received a total of 29,999,998 common shares in the capital of CWCC on a pro-rata basis. See Note 4 for further details on this transaction.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

(a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS (continued)

(b) Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned inactive subsidiary Nevada Prospectors Inc. (“NPI”) incorporated in California, USA.

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 significant intercompany transactions and balances have been eliminated upon consolidation.

(c) Use of Estimates

The preparation of financial statements in conformity with IFRS 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 revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS (continued)

(c) Use of Estimates (continued)

iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Mineral Properties

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore are recognized in profit and loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(b) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is recognized using the following:

Office equipment - 30% declining balance
Furniture and fixtures - 20% declining balance
Leasehold improvements - straight line basis over term of lease

(c) Share-based Compensation

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. All 3,160,555 (2011 – 11,590,620) options and warrants outstanding have been excluded from the calculation as they are considered anti-dilutive.

(e) Impairment of Non-Financial Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Foreign Exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

(h) Flow-Through Shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in income at the same time the qualifying expenditures are made.

(i) Financial Instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit and loss - Financial assets are classified as fair value through profit and loss when the financial asset is held for trading or it is designated as such. A financial asset is classified if it has been acquired for the purpose of selling in the near future, it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified cash as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

(i) Financial assets

Loans and receivables – Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Company classifies its receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. Deposits are classified as held to maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method. The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Restoration Provisions

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any significant restoration provisions at December 31, 2012.

(k) New Standards Not Yet Adopted

The Company has not yet adopted the following revised or new IFRS that have been issued but are not yet effective at December 31, 2012:

i) IFRS 9, Financial Instruments (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and liabilities.

ii) IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interest in Associates and Joint Ventures (all effective January 1, 2013) provide guidance on the accounting treatment and associated disclosures requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.

iii) IFRS 13, Fair Value Measurement (effective January 1, 2013) provides new guidance on fair value of measurement and disclosure requirements.

iv) IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012) requires that elements of other comprehensive income that may subsequently be recycled through profit and loss be differentiated from those items that will not be recycled.

v) IAS 27, Separate Financial Statements and IAS 28, Investment in Associates and Joint Ventures were revised and reissued to align with the new consolidation guidance.

The Company is currently assessing the impact that these new accounting standards will have on the consolidated financial statements.

4. Plan of Arrangement

The Company and Cariboo Rose completed a plan of arrangement effective November 25, 2011 to form a separate company, CWCC. As part of the arrangement, the Company contributed 100% of its interest in both the Woodjam North and South properties (Note 8(a)), as well as $150,000 cash, in exchange for 29,999,998 common shares in the share capital of CWCC. Concurrently, Cariboo Rose contributed 100% of its interest in the Woodjam North and South properties, as well as $100,000 cash, in exchange for 19,999,986 common shares in the share capital of CWCC.

The 29,999,998 shares were then distributed to the shareholders of the Company on a pro-rata basis as part of the arrangement. The Company also incurred costs of $107,728 related to this transaction which were recorded as capital expense.

The transfer and spin-out of these assets to CWCC was between entities under common control since the ownership interests in the transferred assets pre and post arrangement was the same. Accordingly, the Company recorded the transfer and distribution of the assets as a dividend-in-kind at their carrying values as follows:

Cash	$ 150,000
Woodjam - North	2,857,590
Woodjam - South	1,348,613
Expenses incurred	107,728
	$4,463,931

5. RECEIVABLES

The Company's receivables are as follows:

		December 31, 2012		December 31, 2011
HST receivable	$	7,198	$	101,076
Due from exploration partners		-		84
Share subscription receivable		-		15,000
Cost recoveries and reimbursements		178,106		3,551
	$	185,304	$	119,711

6. EQUIPMENT

	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Cost				
Balance, December 31, 2010	6,161	36,549	13,699	56,409
Additions	-	4,380	-	4,380
Disposals	-	-	-	-
Balance, December 31, 2011	$6,161	$40,929	$13,699	$60,789
Accumulated depreciation				
Balance, December 31, 2010	5,301	33,980	10,524	49,805
Depreciation	172	760	706	1,638
Balance, December 31, 2011	$5,473	$34,740	$11,230	$51,443

	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Cost				
Balance, December 31, 2011	$6,161	$40,929	$13,699	$60,789
Additions	-	1,110	-	1,110
Disposals	-	-	-	-
Balance, December 31, 2012	$6,161	$42,039	$13,699	$61,899
Accumulated depreciation				
Balance, December 31, 2011	$5,473	$34,740	$11,230	$51,443
Depreciation	138	1,981	706	2,825
Balance, December 31, 2012	$5,611	$36,721	$11,936	$54,268
Carrying amounts				
As at December 31, 2011	$688	$6,189	$2,469	$9,346
As at December 31, 2012	$550	$5,318	$1,763	$7,631

7. DEPOSITS

	December 31, 2012	December 31, 2011
Office lease deposit	$ 14,549	$ 14,549
Exploration deposits	15,500	34,000
	$ 30,049	$ 48,549

8. Mineral Properties

	Woodjam South BC.	Woodjam North BC.	QUEST BC.	Tak-Milligan BC.	Iron Range BC	KGT BC	Dillard BC	Almaden BC	Total
Cost									
Balance, December 31, 2010	$1,334,454	$2,942,179	$598,018	$84,146	$28,917	$ -	$ -	$ -	$4,987,714
Additions:									
Acquisition costs	21,426	-	-	32	-	147,000	20,000	-	188,458
Operator fees	-	-	(265)	2,800	-	2,316	-	-	4,851
Property	-	-	150	50,851	9,700	12,221	3,087	-	76,009
Prospecting	-	-	-	-	-	7,705	16,748	-	24,453
Administration	7,775	3,447	2,820	-	2,170	6,076	1,453	-	23,741
Geology	-	-	-	18,842	-	9,830	4,134	-	32,806
Geophysics	-	-	-	92,510	-	36,094	-	-	128,604
Geochemistry	-	-	-	44,200	-	67,394	-	-	111,594
Data verification	5,774	3,445	2,820	7,250	5,531	15,379	4,454	-	44,653
Drilling	4,747	1,402	-	388,260	-	303,917	-	-	698,326
Option payments	-	(90,000)	(9,175)	-	-	-	-	-	(99,175)
Cost recoveries	(25,563)	(2,883)	(150)	(579,675)	(872)	-	-	-	(609,143)
Mineral properties written-down	-	-	-	-	-	(607,932)	-	-	(607,932)
Plan of Arrangement *(Note 4)*	(1,348,613)	(2,857,590)	-	-	-	-	-	-	(4,206,203)
Balance December 31, 2011	-	-	594,218	109,216	45,446	-	49,876	-	798,756
Additions:									
Acquisition costs	-	-	-	695	-	-	22,000	45,000	67,695
Property	-	-	-	21,382	-	-	1,767	1,535	24,684
Prospecting	-	-	-	4,000	-	-	420	420	4,840
Administration	-	-	1,741	-	163	-	4,887	5,405	12,196
Geology	-	-	-	1,000	-	-	26,242	4,000	31,242
Geophysics	-	-	4	74,280	-	-	39,235	1,413	114,932
Geochemistry	-	-	-	1,309	-	-	-	-	1,309
Data verification	-	-	1,580	-	163	-	6,388	11,405	19,536
Drilling	-	-	-	208,740	-	-	80	-	208,820
Environment	-	-	343	-	-	-	-	-	343
Option payments	-	-	(12,845)	-	-	-	-	-	(12,845)
Cost recoveries	-	-	(1,612)	(413,700)	(4,959)	-	-	(8,963)	(429,234)
Mineral properties written-down	-	-	-	(6,922)	-	-	-	-	(6,922)
Balance, December 31, 2012	$ -	$ -	$583,429	$ -	$40,813	$ -	$150,895	$60,215	$ 835,352

8. Mineral Properties (continued)

Title to mineral properties 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 properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and are in good standing.

The Company recognized cost recoveries of $173,094 in loss for the year primarily due to refundable exploration tax credits relating to properties written off in previous years.

(a) Woodjam, BC

The Company held a 60% interest in certain mineral claims located in central British Columbia through a joint venture agreement with Cariboo Rose Resources Ltd. (“Cariboo Rose”). The Company was the operator of the project and pursuant to the agreement would charge a 3% operator fee on exploration expenditures incurred to offset its’ administrative costs.

The Woodjam Joint Venture divided its Woodjam properties into the Woodjam North and Woodjam South.

The Company’s shareholders approved the Plan of Arrangement whereby the Woodjam project was transferred into CWCC (Notes 1 and 4).

(b) QUEST, BC

By a Letter of Intent dated July 30, 2007, the Company agreed to enter into a 50% - 50% Joint Venture with Serengeti Resources Inc. (“Serengeti”), a company related by a director in common, to explore properties in the Quesnel Terrane (Prince George) area of British Columbia.

In February 2008, the Company executed a joint venture agreement with Serengeti. The Company was the operator of the QUEST Joint Venture for 2008. The operatorship was to alternate on an annual basis dependent upon the interest held at the time and will earn an operator fee of 5% or 10% based on the magnitude of individual expenditures. In 2009, Serengeti took over as operator of the Joint Venture.

During the 2011 and 2012 fiscal years, the Company decided not to participate in the joint venture exploration budget and accordingly, its interest in the QUEST property was diluted to an estimated 35% pending final accounting.

In September 2011, the Company and Serengeti executed a joint venture agreement with Xstrata Copper Canada (“Xstrata”), which allows Xstrata to acquire up to a 65% interest in 6 properties held under the QUEST JV. Under the terms of the agreement, Xstrata has the right to earn an initial 51% interest in the properties by funding $5 million in exploration expenditures and making firm and optional cash payments of $325,000 (paid $22,020 to the Company) to the joint venture over four years. Xstrata has the right to earn an additional 14% interest for an aggregate 65% interest in the properties by completing a feasibility study or incurring no less than an additional $25 million in expenditures on the properties. In January 2013 Xstrata returned 5 of the 6 properties.

Subsequent to the year ended December 31, 2012, the Company and Serengeti amended the Quest Joint Venture agreement dated February 2008 and consolidated the Company’s Milligan South (see 8(c)) and the Company’s and Serengeti’s Mil properties into a 50% - 50% Joint Venture project called Milligan West.

8. Mineral Properties (continued)

(c) Tak - Milligan, BC

The Company acquired, by staking, a 100% interest in certain properties located in central British Columbia, called the Tak - Milligan properties. Pursuant to an agreement, the Company issued 20,000 shares with a value of $1,400 towards acquisition of one of the properties.

In September 2010, the Company entered into a letter agreement with Capstone Mining Corp. (“Capstone”) which allows Capstone to acquire up to a 70% interest in the Tak - Milligan property. Under the terms of the agreement, Capstone earned an initial 49% interest by expending $300,000 (paid) in exploration costs by June 30, 2011. Capstone may earn an additional 21% interest in the property by funding a further $5,700,000 (paid $650,000) in exploration costs over a six year period.

In May 2011, the Company signed an agreement with Amarc Resources Ltd. to purchase proprietary exploration data for parts of the Tak - Milligan property. Under the terms of the agreement, the Company issued 100,000 common shares of the Company valued at $16,500.

In September 2012, Capstone relinquished its option on the property.

The Milligan South portion of this property has been included in the Quest JV (see 8(b)).

(d) Iron Range, BC

The Company acquired, by staking, a 100% interest in certain properties located in southeastern British Columbia called the Iron Range properties.

(e) Kimberley Gold Trend, BC

In December 2010, the Company entered into an option agreement with Kootenay Gold Inc. (“Kootenay Gold”) which allows the Company to acquire an undivided 60% interest in seven individual claim groups called the Kimberley Gold Trend property. Under the terms of the agreement, the Company must issue an aggregate of 7,000,000 common shares (issued - 700,000 at a value of $147,000) of the Company and expend $7,000,000 in exploration costs on or before December 20, 2014.

During fiscal year 2011, the Company terminated the agreement and wrote off $607,932 in acquisition and exploration costs.

(f) Dillard, BC

In August 2011, the Company entered into an option agreement with private vendors, which allowed the Company to acquire a 100% interest in the Dillard property. Under the terms of the agreement, the Company must issue an aggregate of 1,500,000 common shares (issued - 100,000 at a value of $2,000) of the Company; make cash payments to the vendors totaling $180,000 (paid $40,000) and expend $2,500,000 in exploration costs on or before August 26, 2016. The property is subject to a 3% net smelter royalty.

8. Mineral Properties (continued)

(g) Dill, BC

In February 2012, the Company entered into an option agreement with Almaden Minerals Ltd. which allows the Company to acquire a 100% interest in the Dill property located in southern British Columbia. Under the terms of the agreement, the Company must issue an aggregate of 2,000,000 common shares (issued - 250,000 at a value of $20,000) and make cash payments totaling $50,000 (paid - $25,000) over a period of two years. The property is subject to a 2% net smelter royalty.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	December 31, 2012	December 31, 2011
Accounts payables	$ 3,703	$ 129,941
Accruals	26,000	31,000
Related parties payable	-	1,104
	$ 29,703	$ 162,045

Related party payables include wages and expense re-imbursements owed to senior management.

10. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Fjordland Exploration Inc. and its subsidiary listed in the following table:

Name of subsidiary	Incorporation	Proportion of Ownership Interest	Principal Activity
Nevada Prospectors Inc.	California, USA	100%	Inactive

The Company entered into the following transactions with related parties:

(a) The Company incurred accounting fees of $6,000 (2011 - $Nil) charged by a spouse of a director, and share-based compensation of $Nil (2011 - $1,227) to the spouse.

(b) Included in receivables is $6,143 (2011 - $3,369) due from companies with a director in common and included in accounts payable $Nil (2011 - $1,104) owed to a company with a director in common.

10. RELATED PARTY TRANSACTIONS (continued)

The remuneration of directors and key management personnel during the years ended December 31, 2012 and 2011 are as follows:

		2012		2011
Wages and consulting fee (i)	$	96,000	$	99,000
Corporate secretary		34,900		30,000
Share-based compensation (ii)		-		15,532
	$	130,900	$	144,532

(i) Certain of these amounts are capitalized as mineral property exploration or recorded as property investigation.

(ii) Share-based compensation is the fair value of options granted to key management personnel.

11. SHARE CAPITAL

(a) Authorized

As at December 31, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

(b) Issued Share Capital

In January 2011, the Company issued 700,000 common shares, with a value of $147,000 as consideration towards the acquisition of a mineral property *(Note 8(e)).*

In May 2011, the Company issued 100,000 common shares with a value of $16,500 as consideration of exploration and evaluation data related to a mineral property. *(Note 8(c)).*

In July 2011, the Company completed the first tranche of a non-brokered private placement for the issuance of 1,896,456 non flow-through units at $0.18 per unit. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of $0.23 until July 25, 2012. Finder's fees of $15,660 were paid and the Company incurred additional share issue costs in the amount of $4,708 in connection with the placement.

In September 2011, the Company completed the second and final tranche of a non-brokered private placement for the issuance of 3,446,109 non flow-through units at $0.18 per unit. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of $0.23 until September 12, 2012. Finder's fees of $5,130 were paid and the Company incurred additional share issue costs in the amount of $6,611 in connection with the placement.

In December 2011, the Company completed a non-brokered private placement for the issuance of 2,587,500 flow-through units at $0.08 per unit. Each unit consisted of one flow-through common share and one share purchase warrant. Each share purchase warrant will entitle the holder to purchase one non flow-through common share at a price of $0.15 until December 23, 2012. Finder's fees of $600 were paid and the Company incurred additional share issue costs in the amount of $1,535 in connection with the placement.

During the year ended December 31, 2011, the Company issued 810,000 common shares for cash consideration of $81,000 on exercise of warrants.

11. SHARE CAPITAL (continued)

During the year ended December 31, 2011, the Company issued 3,244,445 common shares for cash consideration of $366,167 on exercise of options and reclassified $313,368 from share-based compensation reserve.

On February 2012, the Company issued 250,000 common shares, with a value of $20,000 as consideration towards the acquisition of mineral property (Note 8(g)).

On August 2012, the Company issued 100,000 common shares, with a value of $2,000 as consideration towards the acquisition of mineral property (Note 8(f)).

(c) Stock Options

Options to purchase common shares have been granted to directors, officers, employees and consultants at exercise prices determined by reference to the market value on the date of the grant.

In June 2012, the Company received shareholder approval to grant up to 16,419,850 common shares under the Company's Stock Option Plan. Options granted under the plan vest as follows:

(i) 25% on the date of the grant;
(ii) 25% six months after the date of the grant;
(iii) 25% twelve months after the date of the grant;
(iv) 25% eighteen months after the date of the grant.

At December 31, 2012 the Company had stock options outstanding for the purchase of 3,160,555 common shares. Of this amount, options to purchase 3,160,555 common shares with a weighted average exercise price of $0.13 were fully vested and exercisable at December 31, 2012.

Stock option transactions are summarized as follows:

	December 31, 2012		December 31, 2011	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,660,555	$0.16	8,705,000	$0.15
Granted	-	-	-	-
Exercised	-	-	(3,244,445)	$0.11
Expired	(500,000)	$0.32	(1,800,000)	$0.22
Outstanding at end of period	3,160,555	$0.13	3,660,555	$0.16

As at December 31, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Expiry Date	Exercise Price
1,900,555	May 5, 2013	$0.15
520,000	June 22, 2014	$0.10
615,000	March 10, 2015	$0.12
125,000	June 7, 2015	$0.10
3,160,555		

11. SHARE CAPITAL (continued)

(d) Options - Share-based Compensation

The fair value of options granted during the year was $Nil (2011 - $Nil). Total share-based compensation expense recognized for the options that vested during the year was $Nil (2011 - $21,423).

(e) Warrants

As at December 31, 2012, there were no outstanding warrants.

Share purchase warrant transactions are summarized as follows:

Exercise Price	Expiry Date	Outstanding at December 31, 2011	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding at December 31, 2012
$0.23	July 25, 2012	1,896,456	-		(1,896,456)	-
$0.23	September 12, 2012	3,446,109	-		(3,446,109)	-
$0.15	December 23, 2012	2,587,500	-		(2,587,500)	-
		7,930,065	-	-	(7,930,065)	-

Exercise Price	Expiry Date	Outstanding at December 31, 2010	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding at December 31, 2011
$0.10	June 09, 2011	810,000	-	(810,000)	-	-
$0.16	June 23, 2011	1,000,000	-	-	(1,000,000)	-
$0.23	July 25, 2012		1,896,456			1,896,456
$0.23	September 12, 2012		3,446,109			3,446,109
$0.15	December 23, 2012		2,587,500			2,587,500
		1,810,000	7,930,065	(810,000)	(1,000,000)	7,930,065

12. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2012	2011
Loss before income taxes	$(354,108)	$(1,059,586)
Income tax expense (recovery) at statutory tax rates	(89,000)	(281,000)
Non-deductible expenditures	1,000	694,000
Impact of future income tax rates applied versus current statutory rate	-	(23,000)
Impact of flow through shares	-	52,000
Share issue costs	-	(9,000)
Change in unrecognized deductible temporary differences	88,000	126,000
Impact of plan of arrangement and other	-	(559,000)
Income tax expense (recovery)	-	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been recognized in the consolidated statements of financial position are as follows:

Deductible temporary differences, unused tax losses and unused tax credits	**2012**	**Expiry Date Range**	**2011**
Share issue costs	$ 22,000	2032 to 2036	$ 40,000
Allowable Capital losses	-	not applicable	1,000
Non-Capital losses	2,973,000	2014 to 2032	2,041,000
Capital assets	62,000	not applicable	41,000
Cumulative Eligible Capital	81,000	not applicable	75,000
Mineral properties	6,689,000	not applicable	4,266,000
Investment tax credit	99,000	2027 to 2032	87,000

Tax attributes are subject to review and potential adjustment by tax authorities.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, deposits and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying value, unless otherwise noted. Cash is measured at fair value using level 1 inputs.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is primarily held in major Canadian financial institutions. The Company's receivables consist mainly of HST receivables due from the Federal Government of Canada and mineral property cost recovery receivables. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements.

Foreign Exchange Risk

The Company is not exposed to significant foreign exchange risk as it operates in Canada and does not undertake any significant foreign currency transactions.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company defines its capital as shareholder's equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares periodic expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had non-cash transactions as follows:

	2012	2011
Significant non-cash investing and financing activities:		
Investing activities		
Mineral property expenditures included in accounts payable and accrued liabilities	$ -	$ 100,158
Mineral property recoveries included in receivables at year end	15,534	1,084
Financing activities		
Shares issued for mineral properties	$ 22,000	$ 163,500
Expiration of options and warrants	149,236	436,156
Fair value of options exercised	-	313,368
Share subscriptions receivable	-	15,000
Plan of arrangement	-	4,206,203
Other cash flow information		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -

16. COMMITMENTS

On May 4, 2010, the Company entered into a five-year sub lease agreement with Diamonds North Resources Corp. for office premises effective August 1, 2010. Approximate future annual lease payments based on the Company's proportionate share of basic rent charges, taxes and operating costs are as follows:

Year	Amount
2013	32,143
2014	33,061
2015	22,042
	$ 87,246

17. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these financial statements, the Company had the following subsequent events:

(a) Subsequent to December 31, 2012, the Company issued 250,000 common shares and made a cash payment of $25,000 pursuant to the option agreement on the Dill property (Note 8(g)).

(b) Subsequent to December 31, 2012, the Company signed a Letter of Intent (LOI) and Preliminary Agreement (PA) with Sumac Mines Ltd ("Sumac") on the Dillard project consisting of the Dillard and Dill properties (Note 8). Under the terms of the agreement Sumac has the option to earn a 51% interest by making aggregate expenditures of C$3,500,000 over a three year period and a cash payment of $193,000 (received). The agreement is subject to regulatory approval.

The Company will be the operator of the project.

fjordland EXPLORATION INC.

Management Discussion and Analysis
For the Year Ended December 31, 2012
Dated: April 25, 2013

1100, 1111 Melville Street
Vancouver, BC V6E 3V6
Tel: (604) 893-8365
Fax: (604) 669-8336

fjordland EXPLORATION INC.

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Description of Business

Fjordland Exploration Inc. ("the Company") is an exploration stage company engaged in the acquisition and exploration of prospective copper, gold and molybdenum properties primarily in Canada. The Company trades as a Tier Two company on the TSX Venture Exchange ("Exchange") under the symbol "FEX" and is a reporting issuer in British Columbia and Alberta. The following discussion and analysis of the financial position and results of operations for the Company should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2012.

Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements in this MD&A are only made as of April 25, 2013 (the "Report Date"). These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

Factors that could cause actual results to differ materially from these forward-looking statements include market prices, exploration success, and continued availability of capital and general economic, market or business conditions.

This list is not exhaustive and these and other factors should be considered carefully; readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The Company disclaims any intention and assumes no obligation to update any forward-looking statement contained in this document, even if new information becomes available as a result of future events or for any other reason.

Thomas G. Schroeter, P.Eng., P.Geo. and L. John Peters, P.Geo. are the Company's qualified persons reviewing the exploration projects described throughout the MD&A. They are responsible for the design and conduct of the exploration programs and the verification and quality assurance of analytical results.

Company Overview and Projects

(a) Highlights for the Year Ended December 31, 2012

On January 17, 2012, the Company reported that it had encountered copper-gold mineralization in four, widely-spaced diamond drill holes on its Tak (Moffat) Property.

On February 7, 2012, the Company announced that it had signed an Option Agreement with Almaden Minerals Ltd. to acquire a 100% interest in the Dill Property, which adjoins Fjordland's recently optioned Dillard Property to the east. The Company made a cash payment of $25,000 and issued 250,000 common shares with a value of $20,000 pursuant to the Dill option agreement.

On February 9, 2012, the Company reported that Capstone had approved a Phase 4 budget and work program for 2012 on the Tak portion of the Tak-Milligan Project.

On February 28, 2012, the Company announced that it had terminated its Option Agreement with Kootenay Gold Inc. on the Kimberley Gold Trend Project. The Company also provided updates on the QUEST (Xstrata) Option.

During May-June 2012, a total of 22.2 line kilometers of induced polarization surveys were completed on the Tisdall, Hazel North and South, and Canim Lake (Tak) properties.

During June 2012, four diamond drill holes totaling 1,125 metres were completed on the Tisdall Property.

On May 18, 2012, 500,000 stock options with an exercise price of $0.32 expired, unexercised.

On July 25, 2012, 1,896,456 warrants with an exercise price of $0.23 expired, unexercised.

On August 10, 2012, the Company made a cash payment of $20,000 and issued 100,000 common shares of the Company pursuant to the Dillard option agreement.

On August 25, 2012 the Company received a cash payment of $12,845 from Xstrata Canada Corp., pursuant to the QUEST JV option agreement.

In September 2012, Capstone elected not to proceed with the option on the Company's Tak-Milligan Project. Fjordland owns 100% of the Project.

On September 12, 2012, 3,446,109 warrants with an exercise price of $0.23 expired, unexercised.

On October 18, 2012, the Company reported that ground geophysical and geological surveys completed during 2012, along with work compiled from previous exploration, have resulted in the identification of several anomalies that are ready for drilling in 2013 on its Dillard Property.

December 23, 2012, 2,587,500 warrants with an exercise price of $0.15 expired, unexercised.

During 2012 and January, 2013 Xstrata completed 45.2 line kilometers of IP surveying on the six properties, pursuant to its QUEST option agreement. In February 2013, Xstrata returned the MP, PG, Reid Lake, Rob and ST properties; all remain in good standing for at least one year. Drilling is tentatively planned on the remaining Ping property in 2013.

(b) Events Subsequent to December 31, 2012

(i) Subsequent to December 31, 2012, the Company issued 250,000 common shares and made a cash payment of $25,000 pursuant to the option agreement on the Dill property.

(ii) Subsequent to December 31, 2012, the Company signed a Letter of Intent (LOI) and Preliminary Agreement (PA) with Sumac Mines Ltd ("Sumac") on the Dillard project. Under the terms of the agreement Sumac has the option to earn a 51% interest by making aggregate expenditures of C$3,500,000 over a three year period and a cash payment of $193,000 (paid).

The Company will be the operator of the project.

(c) Tak - Milligan Properties, British Columbia

Between September 2009 and May 2010, the Company acquired, by staking, a 100% interest in eight properties, totaling over 53,912 hectares (Tak properties), located in the Cariboo region of central British Columbia, believed by the Company geologists to be prospective for the discovery of copper-gold, porphyry-type deposits. The properties are adjacent to and lie to the southeast of the Company's Woodjam projects.

During 2009, the Company acquired two separate claim groups totaling 2,201.3 hectares (Milligan properties) located 5 kilometres west and 10 kilometres northwest of the Mt. Milligan gold-copper deposits, which is being readied for production by Thompson Creek Metals Company Inc.

In June 2010, the Moffat and Tisdall properties were joined by staking and consolidated into the Moffat property, resulting in a total of seven properties in the Tak project. The Tak properties comprise 48,357 hectares.

On September 21, 2010 the Company signed a Letter Agreement with Capstone Mining Corp. ("Capstone") granting Capstone an option to acquire up to a 70% interest in the Tak-Milligan project, that included both the Tak and Milligan properties. The Company is operator of both projects. Between October and November 2010, 23.1 line kilometres of reconnaissance induced polarization surveying and limited soil surveying were completed on four (Moffat, Tisdall, Hazel and Canim) of the seven Tak properties, and two short lines of soil sampling were completed over the South Milligan claims.

On June 30, 2011, Capstone vested a 49% interest in the Tak-Milligan project and confirmed that it would fund the next phase of exploration work on the project; the commitment was for expenditures totaling $300,000 by the end of December 2011.

On November 15, 2011, the Company announced that it had commenced a 3 hole, 900 metre diamond drilling program on the Moffat Property.

On November 26, 2011, the Company reported that it had encountered copper mineralization in three widely-spaced diamond drill holes totaling 739.2 metres on large coincident IP and geochemical anomalies in the northwestern portion of the Moffat Property. Due to the success encountered in the first three holes, funding for an additional hole was approved.

On January 17, 2012, the Company reported assay results for the four diamond drill holes totaling 1,135 metres on the Moffat Property.

On February 9, 2012, the Company reported that Capstone had approved a Phase 4 budget and work program for 2012. The program included additional IP surveys and limited drilling on the Tisdall Property.

During May and June 2012, the Company completed a total of 22.2 line kilometers of IP surveying on the Tisdall, Canim Lake and Hazel North and South Properties. Four diamond drill holes totaling 1,125 metres were completed on the Tisdall Property.

In early September 2012, Capstone Mining Corp. elected not to proceed with its option on the Company's Tak-Milligan Project. Fjordland now owns 100% of the Project and is seeking a joint venture partner for the Project.

The Howard Lake and La Hache properties were allowed to lapse on November 30, 2012 and December 31, 2012, respectively. The "Tak" property package currently consists of five properties, totaling 42,851 hectares.

(i) Tak - Moffat (25,173 hectares)

In September 2009, the Company acquired, by staking, a 100% interest in eleven new claims totaling 4,548 hectares (Moffat Property), about 30 kilometres south of Horsefly in central British Columbia. The Property adjoins part of the Woodjam Joint Venture's Woodjam South Property to the north, and lies approximately 6 kilometres south of the Southeast Zone discovered in 2008.

The Moffat property includes the Harrison Creek occurrence, which was discovered by the BC Geological Survey Branch (GSB) during its 2008 mapping program.

On November 15, 2011, the Company announced that it had commenced a 3 hole, 900 metre reconnaissance diamond drilling program on Moffat, approximately 15 kilometres south of the Woodjam Projects and 18 kilometres west of the Rodeo copper-gold property where Newmont Mining had just completed a diamond drilling program. Drilling at Moffat tested a 3.5 kilometre long by 900 metre wide IP high chargeability anomaly. Soil sampling during 2011 also outlined several copper +/- gold +/- molybdenum anomalies, coincident with an adjacent IP anomalies. This target area is just west of two mineralized outcrops, 620 metres apart, and approximately 1,000 metres north of the Harrison Creek copper-gold-molybdenum BC Minfile prospect.

On January 17, 2012, the Company reported assay results from its 4 hole, 1,135 metre drilling program at Moffat.

Hole ID	From (m)	To (m)	Int (m)	Cu (%)	Au (g/t)	Mo (%)
MOF11-02	184.9	190.7	5.8	0.15	0.18	NSV*
MOF11-03	69.0	276.5	207.5	0.02	0.03	NSV*
including	138.1	140.5	2.4	0.22	0.91	0.001
MOF11-04	20.7	273.4	252.7	0.01	0.01	NSV*
MOF11-05	65.2	66.5	1.3	0.12	0.05	NSV*
and	252.0	261.9	9.9		3.52	NSV*

*NSV – No significant values

No additional work was carried out during 2012.

(ii) Tak - Tisdall (8,026 hectares)

In 2009 and early 2010, the Company acquired a 100% interest in seventeen new claims totaling 6,673 hectares, about 30 kilometres east of Horsefly in central British Columbia. The Property lies within a few kilometres of the most southeastern boundary of the Woodjam North Property. The claims are underlain by airborne magnetic anomalies outlined by previous government surveys; the target is porphyry-related gold-copper-molybdenum deposits.

During May 2012, the Company completed a 8.4 line kilometre induced polarization survey following up on positive results received from the 2011 IP surveys. Soil geochemical surveying was also conducted. During June 2012, four widely-spaced diamond drill holes totaling 1,125 metres tested coincident IP and soil geochemical anomalies. Although weak copper or gold mineralization was encountered in all holes drilled, no significant results were obtained. The best interval graded 0.326% Cu and 0.07g/t Au over 3 metres.

(iii) Tak - Hazel (4,596 hectares)

In 2009, the Company acquired, by staking, a 100% interest in fourteen new claims totaling 3,332 hectares about 25 kilometres northwest of Horsefly in central British Columbia. The property includes two claims within the boundary of Imperial Metals' Mount Polley gold-copper mine property package and one claim adjoining it on the west side; the target is porphyry-related gold-copper-molybdenum deposits.

During May 2012, the Company completed a 7.8 line kilometre induced polarization survey over the Hazel North and Hazel South Properties.

(iv) Tak - La Hache (3,032 hectares)

In December 2009, the Company acquired, by staking, a 100% interest in twenty one claims totaling 10,060 hectares, about 20 kilometres south of the Woodjam South Property. Several airborne magnetic anomalies occur over the property, and the Timothy Creek polymetallic prospect is part of the property; the target is porphyry-related gold-copper-molybdenum deposits.

No work was carried out in 2012, and the property was allowed to lapse on December 31, 2012.

(v) Tak - Canim (4,660 hectares)

In December 2009, the Company acquired, by staking, a 100% interest in seven claims totaling 3,387 hectares, about 30 kilometres southeast of the Woodjam South Property. The claims are shown on government maps as being underlain by the Takomkane batholith; a large airborne magnetic anomaly has been identified on the property; the target is porphyry-related gold-copper-molybdenum deposits.

During May 2012, the Company completed a 6 line kilometre induced polarization survey.

(vi) Tak - Howard Lake (4,197 hectares)

In February 2010, the Company acquired, by staking, a 100% interest in eight claims totaling 3,982 hectares, on the south side of Canim Lake, northeast of the town of 100 Mile House. The claims are shown on government maps as being underlain by volcanic and intrusive rocks, and airborne magnetic anomalies have been identified on the property; the target is porphyry-related gold-copper-molybdenum deposits.

During June 2011, the Company prospected and sampled the Black Vein gold showing on the southern part of the property. Also, in-fill soil sampling (37 samples) was completed on the anomaly on the north portion of the property.

No work was carried out in 2012 and on November 30, 2012 the property was allowed to lapse.

(vii) Tak - HR (396 hectares)

In early 2010, the Company acquired, by staking, a 100% interest in one claim totaling 396 hectares, east of Horsefly and adjoining the Company's Woodjam North Property.

(viii) Milligan (2,978 hectares)

In 2009, the Company acquired by staking the Milligan South and Milligan North properties located 3 kilometres west and 5 kilometres northwest, respectively of the Mt. Milligan copper-gold deposit, currently being readied for production by Thompson Creek Metals.

In May 2011, the Company purchased from Amarc Resources Ltd. certain proprietary exploration data for parts of Fjordland's two Milligan properties. The data includes IP survey results, magnetic survey information and drill hole data from 2 short holes. Four chargeability high anomalies are outlined. A limited soil sampling program on Milligan South was completed in September 2011.

(d) QUEST, British Columbia

On July 30, 2007, the Company entered into a letter agreement with Serengeti Resources Inc. ("Serengeti") to explore an 81 hectare copper/gold exploration property (Tezz), located 40 kilometres south of Prince George, BC in order to further explore and develop copper-gold targets. On July 30, 2007, the Company and Serengeti signed a Letter of Intent ("LOI") to enter into a 50%-50% Joint Venture to pool eleven properties located in central British Columbia into the QUEST Joint Venture ("QJV") project. The QJV subsequently acquired approximately 60,000 hectares of new claims (16 properties) between Williams Lake to the south and Mt. Milligan to the north. During the period 2007 and 2008, the QJV conducted airborne magnetic surveys on sixteen of these properties and reconnaissance induced polarization surveys over eleven.

On January 1, 2009, according to the terms of the JV Agreement, Serengeti became the Operator of the Quest Joint Venture for 2009. The 2009 summer program was tabled by Serengeti on May 4, 2009. The Company elected not to participate in this program but maintained the right to participate in future programs. Consequently, the Company's interest in the Quest Joint Venture was diluted to 38%. In July 2009, the

Quest Joint Venture holdings were reduced to eleven individual properties, seven of which cover significant IP geophysical anomalies that warrant follow-up work, including drilling.

The Company elected not to participate in the funding of the QUEST 2010 and 2011 exploration programs, consisting of an extensive geochemical sampling program and induced polarization surveying on selected properties held by the QUEST Joint Venture. As a result, the Company's ownership in the Joint Venture with Serengeti was forecast to drop to 37%, pending a final audit of 2011 expenditures. The Company maintains the right to participate in any future work.

In late August, the QUEST JV staked additional claims, contiguous to the Q Property; the Property now encompasses 6,928 hectares. A gold-silver target is being investigated.

On September 1, 2011, the QUEST JV staked a new claim (Bear Lake Property), totaling 1,928 hectares north of Prince George.

On September 21, 2011, the Company announced that the Quest JV had signed an option agreement, dated August 25, 2011, with Xstrata Copper Canada to explore a number of QUEST JV properties. Xstrata may earn an initial 51% interest in the properties by funding $5 million in exploration expenditures and making cash payments of $325,000 to the joint venture over four years. Xstrata may earn an additional 14% interest in the properties by completing a feasibility study or incurring no less than an additional $25 million in expenditures on the properties. The six properties (Rob, Ping, Reid Lake, ST, PG and MP) total approximately 27,690 hectares. Several have drill targets identified as a result of exploration by Fjordland and Serengeti of approximately $1.7 million.

In February 2012, Xstrata Copper provided an update on its activities. Infill and expanded IP surveys totaling approximately 65 line kilometres, including 19.4 line kilometres across the Rob, ST and PG properties during 2012, were completed on all six properties.

The remaining seven properties held under the original QUEST JV (Mil, Hazel, Q, Polley 1, Polley 2, Copper and Bear Lake) total 22,480 hectares.

On August 25, 2012, the Company received a cash payment of $12,845 from Xstrata, pursuant to the 36.7% share of the First Anniversary QUEST JV option agreement.

During 2012 and January 2013, Xstrata completed 45.2 line kilometers of IP surveying on the six properties, pursuant to its QUEST option agreement. In February 2013, Xstrata returned the MP, PG, Reid Lake, Rob and ST properties; all remain in good standing for at least one year. Drilling is tentatively planned on the remaining Ping property in 2013.

(e) Iron Range, British Columbia

In December 2010, the Company acquired, by staking, a 100% interest in eight properties (namely, Mahon, Creston, Otto, Alpha, Baldy, Princess, St. Mary and Bootleg) totaling 60,047 hectares. The claims are located between 7 kilometres and 58 kilometres from the area of current interest at Iron Range (Eagle Plains and Providence Resources), and cover existing mineral occurrences, geologically favourable Aldridge Formation sedimentary rocks and numerous north-striking faults potentially significant for hosting gold mineralization. The targets include base metals (SEDEX) mineralization (e.g. Sullivan mine) and iron-oxide-copper-gold, (IOCG) type as well as structurally-controlled mineralization. The north-trending Iron Mountain Fault Zone complex, which hosts the Iron Range mineralization and a number of other mineral occurrences, consists of multiple faults which occur over an east-west extent of about 3 kilometres and a strike length of approximately 90 kilometres.

In December 2011, the Company allowed all but two of the properties (St. Mary and Bootleg) to lapse.

(f) Kimberley Gold Trend, British Columbia

In December 2010, the Company completed an option agreement with Kootenay Gold Inc., whereby the Company can acquire an undivided 60% interest in seven individual claim groups (Big Kahuna, Slocanny Granny, Red Lobster, Moly Prichard, Big Smoke, MS Peg and GCP), totaling 21,222 hectares, in the Aldridge portion of the Belt-Purcell ranges, located adjacent to the Iron Range Project and within the 90 kilometre long northeasterly-trending Kimberley Gold Trend.

On February 28, 2012, the Company announced that it had terminated the Kootenay Gold Option Agreement; therefore at year end December 31, 2011 the Company wrote off acquisition and exploration costs on the properties.

(g) Dillard, British Columbia

On August 26, 2011, the Company completed an option agreement with private vendors, whereby the Company can acquire a 100% interest in the 2,200 hectare Dillard Property, located approximately 40 kilometres north of Princeton, BC. The prospective ground straddles newly discovered porphyry copper showings and high-grade gold quartz vein targets. Grab samples taken by Company geologists during initial site investigations yielded assays up to 1.64% copper, 7.4 ppm silver, 0.025 ppm gold and 56.9 ppm molybdenum from new exposures in altered Nicola Group volcanic rocks on the western portion of the Property and up to 28.9 g/t gold and 11.4 ppm silver from a quartz vein in granodiorite on the eastern portion. A prospecting program was completed in October; several new showings were discovered and sampled.

During 2012, the Company completed 23.3 line kilometres and 11 line kilometres of ground magnetic and induced polarization surveying over selected areas of the property. These surveys have led to the identification of coincident copper-gold soil and IP anomalies in two areas measuring approximately 2,000 metres by 800 metres and 1,500 metres by 1,000 metres. Drilling is planned for 2013.

(h) Dill, British Columbia

On February 7, 2012, the Company announced that it had signed an Option Agreement with Almaden Minerals Ltd. to acquire a 100% interest in the Dill Property, which adjoins Fjordland's recently optioned Dillard Property to the east. Both properties are porphyry copper-gold targets. Drilling by previous operators since 1966 intercepted several long intervals of copper mineralization including an intercept of 207 metres grading 0.25% copper. This hole, like most of the holes, bottomed in mineralization and therefore remains open to expansion at depth, as well as laterally.

SELECTED HISTORICAL MINERALIZED DRILL INTERCEPTS

DDH	Total depth(m)	From (m)	To (m)	Int (m)	Cu (%)	Au (ppb)	Company
D66-1	127.4	10.7	127.4	116.7	0.22	303	Primer Grp Min
D66-2	126.2	83.8	126.2	42.4	0.22		Primer Grp Min
D67-4	189.0	6.1	125.0	118.9	0.23	78	Primer Grp Min
D67-5	94.2	2.4	94.2	97.7	0.23	303	Primer Grp Min
D68-12	39.0	1.2	39.0	37.8	0.33		Primer Grp Min
D69-1	247.5	40.2	247.2	207.0	0.25		Primer Grp Min
including		40.2	99.7	59.4	0.37		Primer Grp Min
D91-2	219.5	32.3	219.5	187.2	0.24	97	Placer Dome
D91-3	197.5	125.3	151.2	25.9	0.22	64	Placer Dome
D91-5	188.0	158.2	188.1	29.9	0.30	105	Placer Dome

D91-6	183.5	82.9	86.0	3.1	2.02	330	Placer Dome
D91-10	147.2	9.1	66.1	57.0	0.22	76	Placer Dome

An initial compilation of previous work was completed in the spring of 2012. In June 2012, Company personnel located the 1991 drill core; (2,020 metres), approximately 40% of the core was salvaged, re-boxed, re-examined, and moved back onto the Property. Third Party interests have expressed interest in optioning the Dill and Dillard Properties.

The historical mineralized drill intercepts were reported in British Columbia Ministry of energy, Mines and Petroleum Resources' Assessment Reports by qualified geologists and believed to be accurate. No attempt has been made by the Company to verify the reported intersections.

Mineral Property Expenditure Table

	Woodjam South BC.	Woodjam North BC.	QUEST BC.	Tak-Milligan BC.	Iron Range BC	KGT BC	Dillard BC	Almaden BC	Total
Cost									
Balance, December 31, 2010	$1,334,454	$2,942,179	$598,018	$84,146	$28,917	$ -	$ -	$ -	$4,987,714
Additions:									
Acquisition costs	21,426	-	-	32	-	147,000	20,000	-	188,458
Operator fees	-	-	(265)	2,800	-	2,316	-	-	4,851
Property	-	-	150	50,851	9,700	12,221	3,087	-	76,009
Prospecting	-	-	-	-	-	7,705	16,748	-	24,453
Administration	7,775	3,447	2,820	-	2,170	6,076	1,453	-	23,741
Geology	-	-	-	18,842	-	9,830	4,134	-	32,806
Geophysics	-	-	-	92,510	-	36,094	-	-	128,604
Geochemistry	-	-	-	44,200	-	67,394	-	-	111,594
Data verification	5,774	3,445	2,820	7,250	5,531	15,379	4,454	-	44,653
Drilling	4,747	1,402	-	388,260	-	303,917	-	-	698,326
Option payments	-	(90,000)	(9,175)	-	-	-	-	-	(99,175)
Cost recoveries	(25,563)	(2,883)	(150)	(579,675)	(872)	-	-	-	(609,143)
Mineral properties written-down	-	-	-	-	-	(607,932)	-	-	(607,932)
Plan of Arrangement *(Note 4)*	(1,348,613)	(2,857,590)	-	-	-	-	-	-	(4,206,203)
Balance December 31, 2011	-	-	594,218	109,216	45,446	-	49,876	-	798,756
Additions:									
Acquisition costs	-	-	-	695	-	-	22,000	45,000	67,695
Property	-	-	-	21,382	-	-	1,767	1,535	24,684
Prospecting	-	-	-	4,000	-	-	420	420	4,840
Administration	-	-	1,741	-	163	-	4,887	5,405	12,196
Geology	-	-	-	1,000	-	-	26,242	4,000	31,242
Geophysics	-	-	4	74,280	-	-	39,235	1,413	114,932
Geochemistry	-	-	-	1,309	-	-	-	-	1,309
Data verification	-	-	1,580	-	163	-	6,388	11,405	19,536
Drilling	-	-	-	208,740	-	-	80	-	208,820
Environment	-	-	343	-	-	-	-	-	343
Option payments	-	-	(12,845)	-	-	-	-	-	(12,845)
Cost recoveries	-	-	(1,612)	(413,700)	(4,959)	-	-	(8,963)	(429,234)
Mineral properties written-down	-	-	-	(6,922)	-	-	-	-	(6,922)
Balance, December 31, 2012	$ -	$ -	$583,429	$ -	$40,813	$ -	$150,895	$60,215	$ 835,352

Selected Annual Information

Selected annual information from the Company's audited consolidated financial statements for the years ended December 31, 2012, 2011 and 2010.

	2012 ($)	2011 ($)	2010 ($)
General and administration expenses	(335,209)	(424,919)	(499,346)
Loss for the year	(354,108)	(1,058,336)	(503,656)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)
Cash dividends per share	Nil	Nil	Nil
Other comprehensive income (loss)	Nil	Nil	Nil
Assets	1,109,307	1,573,757	5,215,850
Long-term liabilities	Nil	Nil	Nil

Results of Operations

The consolidated financial statements of the Company to which the MD&A relates have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Current Quarter

The Company's cash position decreased from $164,483 to $46,685. The largest use of cash was for general and administrative expenditures.

On December 23, 2012, 2,587,500 warrants with an exercise price of $0.15 expired, unexercised.

Year Ended December 31, 2012

Results of operations for the year ended December 31, 2012 are discussed in comparison with the year ended December 31, 2011. General and administrative expenses of $335,209 (2011 - $424,919) represents a $89,710 decrease compared to the comparative period. Notable changes include:

The $185,304 receivables as December 31, 2012 included $7,198 in HST filed and $178,106 in cost recoveries and reimbursements.

Of the $30,049 in deposits at year end December 31, 2012, $15,500 consists of reclamation bonds and $14,549 is held as a rent deposit.

Total stock-based compensation on options granted, and vested during the year ended December 31, 2012, resulted in $Nil (2011 - $21,423) being expensed.

Accounting and audit expenditures were $72,800 (2011 - $65,620).

Legal fees were $8,783 (2011 - $19,263).

Shareholders' information was $70,218 (2011 - $101,027). A breakdown is provided below:

		December 31, 2012		December 31, 2011
Administration	$	6,497	$	7,659
Conferences		18,010		26,390
Consulting		36,000		36,000
Promotion		5,783		10,982
Media		3,106		16,076
Travel		822		3,920
	$	70,218	$	101,207

Consulting fees of $Nil (2011 - $37,100) represents a decrease of $37,100 from 2011.

Administration fees of $42,198 (2011 - $38,032) represents a increase of $4,166 from 2011.

Wages and benefits of $54,535 (2011 - $43,868) are allocated as to time spent on exploration.

The Company's net loss for the period was $354,108 (2011 - $1,058,336).

Exploration expenditures during the year ended December 31, 2012 were $485,597 (2011 - $1,333,495), which consisted of $67,695 (2011 - $188,458) in acquisition costs and $417,902 (2011 - $1,145,037) in exploration costs.

During the year ended December 31, 2012 the Company, issued 350,000 shares (2011 - 800,000) valued at $22,000 (2011 - $163,500) relating to exploration properties; had cost recoveries of $429,234 (2011 - $609,143) and cash option payments of $12,845 (2011 - $99,175).

During the year ended December 31, 2012, the Company wrote down $6,922 (2011 - $607,932) in acquisition and exploration costs.

Summary of Quarterly Results

	In accordance with							
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
	Mar 31 2011 Q1	Jun 30 2011 Q2	Sep 30 2011 Q3	Dec 31 2011 Q4	Mar 31 2012 Q1	Jun 30 2012 Q2	Sep 30 2012 Q3	Dec 31 2012 Q4
Mineral property costs deferred, net	169,100	163,937	(100,987)	(4,421,008)	(36,772)	12,561	67,052	(6,245)
G&A (incl. share-based payments)	(113,036)	(79,734)	(182,682)	(49,467)	(88,466)	(81,507)	(77,487)	(87,749)
Share-based payments expense	11,287	5,155	4,591	390	-	-	-	-
Adj G&A (less share-based payments)	(101,749)	(74,579)	(178,091)	(49,077)	(88,466)	(81,507)	(77,487)	(87,749)
Net loss	(116,725)	(85,860)	(187,469)	(668,282)	(237,166)	(96,855)	(86,913)	66,826
Income (loss) per share - basic	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average common shares outstanding - basic	70,234,772	70,435,994	73,415,588	73,423,048	81,970,161	81,983,987	82,038,956	82,106,542

Liquidity

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements.

- liquidity risk increases, as other things being equal, the price of an asset will be reduced if the holder cannot sell the asset immediately;

- credit risk increases, as service providers may not always be able to perform in accordance with the terms of a contract. To help mitigate this risk with contracts that require large advances, the Company may be required to place funds in-trust, to be released on completion of the contract.

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. However, fluctuations in commodity prices may influence financial markets and may indirectly affect the Company.

As at December 31, 2012, the Company had a cash position of $46,685 and working capital of $206,572 compared to a cash position of $593,153 and working capital of $555,061 at December 31, 2011.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. The Company continues to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

Capital Management

The Company considers its capital structure to be shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As an exploration stage company, the Company is unable to finance its operations from cash flow and has relied primarily on equity financings to meet its capital requirements.

Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favorable.

The Company's share capital is not subject to any external restriction and the Company did not change its approach to capital management during the period.

Financing Activities

The Company issued 250,000 common shares pursuant to the option agreement with Almaden Minerals Ltd. pertaining to the Dill property in BC.

The Company issued 100,000 common shares pursuant to the option agreement pertaining to the Dillard property in BC.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financial arrangements.

Related Party Transactions

The financial statements include the financial statements of Fjordland Exploration Inc. and its subsidiary listed in the following table:

Name of subsidiary	Incorporation	Proportion of Ownership Interest	Principal Activity
Nevada Prospectors Inc.	California, USA	100%	Inactive

The Company entered into the following transactions with related parties:

(a) The Company incurred accounting fees of $6,000 (2011 - $Nil) charged by a spouse of a director, and share-based compensation of $Nil (2011 - $1,227) to the spouse.

(b) Included in receivables is $6,143 (2011 - $3,369) due from companies with a director in common and included in accounts payable is $Nil (2011 - $1,104) owed to a director in common.

The remuneration of directors and key management personnel during the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Wages	$ 96,000	$ 99,000
Corporate secretary	34,900	30,000
Share-based payments (i)	-	15,532
	$ 130,900	$ 144,532

(i) Share-based payments are the fair value of options granted to key management personnel.

Proposed Transactions

None

Plan of Arrangement

The Company and Cariboo Rose completed a plan of arrangement effective November 25, 2011 to form a separate company, WCC. As part of the arrangement, the Company contributed 100% of its interest in both the Woodjam North and South properties (Note 8), as well as $150,000 cash, in exchange for 29,999,998 common shares in the share capital of WCC. Concurrently, Cariboo Rose contributed 100% of its interest in the Woodjam North and South properties, as well as $100,000 cash, in exchange for 19,999,986 common shares in the share capital of WCC.

The 29,999,998 shares were then distributed to the shareholders of the Company on a pro-rata basis as part of the arrangement. The Company also incurred costs of $107,728 related to this transaction which were recorded as capital expense.

The transfer and spin-out of these assets to WCC was between entities under common control since the ownership interests in the transferred assets pre and post arrangement were the same. Accordingly, the Company recorded the transfer and distribution of the assets as a dividend-in-kind at their carrying values as follows:

Cash	$ 150,000
Woodjam - North	2,857,590
Woodjam - South	1,348,613
Expenses incurred	107,728
	$4,463,931

Critical Accounting Estimates

The most significant accounting estimates for the Company relates to the carrying value of its exploration and evaluation assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

Management's estimates of exploration, operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.
Another significant accounting estimate relates to accounting for share-based payments and derivative instruments. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of share-based payments and warrants. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Share-based payment transactions

The Company has elected to change its accounting policy to transfer the value of the unexercised expired options to deficit as allowed under IFRS. Previously under Canadian GAAP, the Company had no such policy. The value of the unexercised options as at December 31, 2012 amounted to $149,236 (2011 - $448,210) which has been transferred to deficit.

Flow-through shares

Canadian GAAP – Flow-through shares were recorded at their face value, net of related issuance costs. On the date the tax credits were renounced, a future tax liability was recognized as a cost of issuing the shares.

IFRS – Flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as a liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided the Company intends to renounce the related tax benefits.

Accounting Policies Not Yet Adopted

The Company has not early adopted the following revised standards and is currently assessing the impact that these standards will have on the financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015.

Financial Instruments and other Instruments

The Company's financial assets consist of cash and deposits for reclamation, receivables, accounts payable and accrued liabilities. No amounts are invested other than in chartered bank term deposits. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from the financial instruments. The carrying value of these financial instruments approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.

As of the Report Date, the Company had 82,449,282 issued common shares outstanding and the following unexercised stock options and warrants:

Stock Options

Expiry Date	Exercise Price	Number of Shares
May 5, 2013	$0.15	1,900,555
June 22, 2014	$0.10	520,000
March 10, 2015	$0.12	615,000
June 7, 2015	$0.10	125,000
		3,160,555

Warrants

None

Outlook

Fjordland will continue to seek out and review projects that exhibit potential to host large mineral deposits containing commodities with strong prospects to increase value. The Company looks forward to continuing to expand its holdings as well as success in exploring and developing its properties.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Thomas G. Schroeter, P.Eng., P.Geo.
President, C.E.O and Director

G. Ross McDonald, C.A.
C.F.O. and Director

Richard C. Atkinson, P.Eng.
Director

Peter Krag-Hansen
Director

Victor A. Tanaka, P.Geo.
Director

Janice Davies
Corporate Secretary

EXECUTIVE OFFICE

Fjordland Exploration Inc.
Suite 1100, 1111 Melville Street
Vancouver, British Columbia V6E 3V6
Telephone: (604) 893-8365
Fax: (604) 669-8336

INTERNET

www.fjordlandex.com
Email: info@fjordlandex.com

AUDITORS

Davidson & Company LLP
Chartered Accountants
1200 - 609 Granville Street
Vancouver, British Columbia V7Y 1G6

LEGAL COUNSEL AND REGISTERED OFFICE

Armstrong Simpson
Barristers & Solicitors
2080, 777 Hornby Street
Vancouver, British Columbia V6Z 1S4

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
3rd Floor, 510 Burrard Street
Vancouver, British Columbia V6C 3B9

SHARE LISTING

TSX Venture Exchange
Symbol: FEX

CAPITALIZATION AT DECEMBER 31, 2012

Shares Authorized: Unlimited
Shares Issued and Outstanding 82,199,282