ANNUAL REPORT 2011

www.fjordlandex.com

To Fellow Shareholders:

The past year has seen 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. Fjordland has made considerable progress during the year by significantly advancing its flagship Woodjam Joint Venture projects, and developing additional joint ventures to advance its large portfolio of gold-copper properties. We are truly well positioned for discovery and growth!

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

Highlights of the 2011 season include the significant advancements made on the Woodjam North and Woodjam South properties by Gold Fields, under separate Joint Venture Agreements. Gold Fields can earn up to a 70% interest in both projects by spending approximately $35 million on exploration through to 2016, including a comprehensive feasibility study on the Woodjam South Property. Between February and December, 2011, Gold Fields spent approximately $7 million on exploration, including 78 drill holes totalling just over 26,000 metres.

In June 2011, the Company and its joint venture partner, Cariboo Rose, entered into a Letter of Intent to combine their respective interests in the Woodjam North and Woodjam South properties, and then spin out their interest in these two Properties to shareholders. This proposed transaction will preserve the interests of the Company's shareholders in the Woodjam properties and will also facilitate the advancement and recognition of the other mineral properties held by the Company. The effective date of the spin-out transaction was November 25, 2011; Fjordland shareholders were issued approximately 0.3784 of a Consolidated Woodjam Copper Corp. ("CWCC") share for each share held. On February 9, 2012, CWCC reported that Gold Fields had earned in its 51% in both the Woodjam North and Woodjam South properties, having completed expenditures totalling $14.6 million on the two properties over the past 2.5 years. Gold Fields also gave notice that it will exercise its right to earn a further 19% interest in each property. On March 1, 2012, CWCC reported that Gold Fields had completed its initial NI43-101 compliant resource estimation for the Southeast Zone – 146.5 million tonnes grading 0.33% Cu, with a gold grade estimate of 0.06g/t Au, a portion of which may be recovered as a by-product.

After funding a Phase 2 exploration program on the Tak-Milligan project, Capstone Mining Corp. vested its initial 49% interest on June 30, 2011. In November, 2011, a Phase 3, 4-hole, 900-metre diamond drilling program was completed on the Moffat Property. All four widely-spaced holes encountered copper mineralization in intrusive rocks. A Phase 4 exploration program for 2012 has been approved, including additional drilling on selected properties within the Tak package.

During 2011, we elected not to participate in funding our proportionate share of the QUEST Joint Venture (JV), in order to preserve capital and minimize share dilution. We maintain the right to participate in any future work in the QUEST project. On August 25, 2011, the QUEST Joint Venture signed an option agreement with Xstrata Copper Canada to explore six of the original properties. During the Fall of 2011 and Spring of 2012, Xstrata completed infill and expanded induced polarization surveys on all six properties; drill targets are expected to be identified and prioritized. The QUEST JV retains its 100% interest in seven properties.

During 2011, Fjordland conducted a large exploration program on seven properties in southeastern BC, held under an option agreement with Kootenay Gold Inc. The targets included base metals (SEDEX) mineralization (e.g. Sullivan mine) and structurally-controlled, sediment-hosted vein gold mineralization. Between November and December, 2011, six drill holes were completed on the Red Lobster SEDEX target. During January, 2012, three drill holes were completed on the GCP gold target. In late February, 2012, the Company terminated the option agreement to concentrate on its other properties.

In August, 2011 and January, 2012, Fjordland optioned the Dillard and Dill copper-gold targets ("Dillard" Project) in southern BC, approximately 50 kilometres north of the recently re-opened Copper Mountain mine. The Dillard target includes several newly exposed copper +/- gold showings; the Dill target includes several significant historical copper +/- gold drill intersections. We are excited about drilling these targets later in 2012.

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 as exemplified by the agreements with Gold Fields, Capstone and Xstrata Copper. The upcoming year will be exciting as we move forward on exploration on multiple projects: Tak-Milligan, QUEST (Xstrata Option), and Dillard. As many as eight properties may be drilled.

With high industry growth and the expertise of our excellent joint venture partners, we should look forward to further exploration successes in 2012. 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, 2012

December 31, 2011
(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, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years ended December 31, 2011 and December 31, 2010, 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.

NEXIA INTERNATIONAL

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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, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 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, 2012

FJORDLAND EXPLORATION INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	December 31, 2011	December 31, 2010 *(Note 18)*	January 1, 2010 *(Note 18)*
Assets			
Current			
Cash	$ 593,153	$ 126,479	$ 297,052
Receivables *(Note 5)*	119,711	48,324	11,279
Prepaids	4,242	5,180	11,316
	717,106	179,983	319,647
Mineral properties *(Note 8)*	798,756	4,987,714	4,947,961
Deposits *(Note 7)*	48,549	41,549	23,000
Equipment *(Note 6)*	9,346	6,604	4,360
	$ 1,573,757	$ 5,215,850	$ 5,294,968
Liabilities			
Current			
Accounts payable and accrued liabilities *(Note 9)*	$ 162,045	$ 48,379	$ 43,367
Shareholders' equity			
Share capital *(Note 11)*	14,684,512	17,089,990	16,787,986
Share-based compensation reserve	529,884	1,257,985	1,227,980
Deficit	(13,802,684)	(13,180,504)	(12,764,365)
	1,411,712	5,167,471	5,251,601
	$ 1,573,757	$ 5,215,850	$ 5,294,968

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

Approved and authorized by the Board on April 25, 2012

On behalf of the Board:

"Thomas G. Schroeter"
Thomas G. Schroeter

"G. Ross McDonald"
G. Ross McDonald

See accompanying notes to the consolidated financial statements

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

	2011	2010 *(Note 18)*
General and administrative expenses		
Accounting and audit	$ 65,620	$ 63,800
Administration fees	38,032	37,737
Consulting fees	37,100	19,525
Depreciation	1,638	2,179
Filing fees	14,056	18,727
Legal fees	19,263	9,416
Office and printing	31,299	32,049
Rent	40,727	38,780
Shareholders' information	101,027	83,219
Share-based compensation *(Note 11 (d))*	21,423	154,320
Transfer agent fees	10,866	3,682
Wages and benefits	43,868	35,912
Loss before other items	(424,919)	(499,346)
Other items		
Interest income	324	1,080
Property investigation	(25,809)	(41,335)
Mineral properties written-off *(Note 8(e))*	(607,932)	-
Loss and comprehensive loss for the year	$ (1,058,336)	$ (539,601)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average shares outstanding	73,423,048	67,929,763

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)

	2011	2010
Cash provided by (used in):		
Operating activities		
Loss for the year	$ (1,058,336)	$ (539,601)
Items not affecting cash:		
Depreciation	1,638	2,179
Share-based compensation	21,423	154,320
Mineral properties written-off	607,932	-
Net change in non-cash working capital		
Receivables	(55,957)	(39,289)
Prepaid expenses	938	6,136
Accounts payable	13,508	1,102
	(468,854)	(415,153)
Financing activities		
Shares issued for cash, net of issue costs	1,566,585	301,151
Plan of arrangement *(Note 4)*	(257,728)	-
	1,308,857	301,151
Investing activities		
Recoveries from mineral properties	707,888	253,528
Acquisition and exploration costs related to mineral properties	(1,069,837)	(287,127)
Deposits	(7,000)	(18,549)
Purchase of equipment	(4,380)	(4,423)
	(373,329)	(56,571)
Change in cash	466,674	(170,573)
Cash position - beginning of year	126,479	297,052
Cash position - end of year	$ 593,153	$ 126,479

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

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
	(Note 11)		*(Note 11(d))*		
Balance, January 1, 2010	67,211,590	$16,787,986	$1,227,980	$(12,764,365)	$5,251,601
Shares issued for cash					
Private placements, net of issue costs	1,818,182	297,651	-	-	297,651
Exercise of options	10,000	1,000	-	-	1,000
Exercise of warrants	25,000	2,500	-	-	2,500
Issued for other consideration					
Transfer to deficit on expiry of options	-	-	(123,462)	123,462	-
Transfer to share capital on exercise of options	-	853	(853)	-	-
Share-based compensation	-	-	154,320	-	154,320
Loss for the year	-	-	-	(539,601)	(539,601)
Balance, December 31, 2010	69,064,772	17,089,990	1,257,985	(13,180,504)	5,167,471
Shares issued for cash					
Private placements, net of issue costs	7,930,065	1,134,418			1,134,418
Exercise of options	3,244,445	366,167	-	-	366,167
Exercise of warrants	810,000	81,000	-	-	81,000
Issued for other consideration					
Mineral properties	800,000	163,500	-	-	163,500
Transfer to share capital on exercise of options	-	313,368	(313,368)	-	-
Transfer to deficit on expiry of options	-	-	(368,156)	368,156	-
Transfer to deficit on expiry of warrants			(68,000)	68,000	-
Plan of arrangement *(Note 4)*	-	(4,463,931)	-	-	(4,463,931)
Share-based compensation	-	-	21,423	-	21,423
Loss for the year	-	-	-	(1,058,336)	(1,058,336)
Balance, December 31, 2011	**81,849,282**	**$ 14,684,512**	**$ 529,884**	**$ (13,802,684)**	**$ 1,411,712**

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").

The Company's transition date to IFRS is January 1, 2010. The disclosures concerning the transition from Canadian Generally Accepted Accounting Standards ("GAAP") to IFRS are provided in Note 18.

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 11,590,620 (2010 – 10,515,000) 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, 2011.

(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, 2011:

i) IFRS 9, Financial Instrument (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), 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, 2011	December 31, 2010	January 1, 2010
HST receivable	$ 101,076	$ 34,852	$ 3,678
Due from exploration partners	84	656	2,898
Share subscription receivable	15,000	-	-
Cost recoveries and reimbursements	3,551	12,816	4,703
	$ 119,711	$ 48,324	$ 11,279

6. EQUIPMENT

	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Cost				
Balance, January 1, 2010	$6,161	$35,654	$10,171	$51,986
Additions	-	895	3,528	4,423
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, January 1, 2010	$5,086	$33,215	$9,325	$47,626
Depreciation	215	765	1,199	2,179
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
Carrying amounts				
As at January 1, 2010	$1,075	$2,439	$ 846	$4,360
As at December 31, 2010	$860	$2,569	$3,175	$6,604
As at December 31, 2011	$688	$6,189	$2,469	$9,346

7. DEPOSITS

	December 31, 2011	December 31, 2010	January 1, 2010
Office lease deposit	$ 14,549	$ 14,549	$ 10,000
Exploration deposits	34,000	27,000	13,000
	$ 48,549	$ 41,549	$ 23,000

8. Mineral Properties

	Woodjam South BC.	Woodjam North BC.	QUEST BC.	Tak-Milligan BC.	Iron Range BC	KGT BC	Dillard BC	Total
Cost								
Balance, January 1, 2010	$1,311,805	$2,998,089	$598,825	$39,242	$ -	$ -	$ -	$4,947,961
Additions:								
Acquisition costs	-	-	4,222	20,612	23,737	-	-	48,571
Operator fees	(185)	-	(191)	-	-	-	-	(376)
Property	2,295	2,954	225	9,159	2,700	-	-	17,333
Permitting	-	-	-	456	-	-	-	456
Administration	11,107	5,699	2,128	3,372	1,240	-	-	23,546
Geology	15,525	-	900	40,359	-	-	-	56,784
Geophysics	-	-	-	86,406	-	-	-	86,406
Geochemistry	-	-	-	35,558	-	-	-	35,558
Data verification	10,770	5,622	126	1,021	1,240	-	-	18,779
Drilling	3,554	2,670	-	-	-	-	-	6,224
Joint venture recoveries	(20,417)	-	(7,987)	-	-	-	-	(28,404)
Option payments	-	(72,000)	-	-	-	-	-	(72,000)
Cost recoveries	-	(855)	(230)	(152,039)	-	-	-	(153,124)
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-	-	-	-	-	-	(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

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.

(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 (Notes1 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 2010 and 2011 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 37% 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 six 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 $9,175 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.

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.

(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.

Subsequent to December 31, 2011, the Company decided to terminate the agreement and therefore, the Company has written 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 of the Company; make cash payments to the vendors totaling $180,000 (paid $20,000) and expend $2,500,000 in exploration costs on or before August 26, 2016. The property is subject to a 3% net smelter royalty.

(g) Other, BC

The Company acquired, by staking, a 100% interest in 3 properties located in central British Columbia. Of these three properties, the Company relinquished two and has written off $803 in acquisition costs, net of recoveries.

During the 2010 fiscal year, the remaining property and costs were added to the Tak-Milligan, BC property.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		December 31, 2011		December 31, 2010		January 1, 2010
Accounts payables	$	129,941	$	18,379	$	13,367
Accruals		31,000		30,000		30,000
Related parties payable		1,104		-		-
	$	162,045	$	48,379	$	43,367

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 $Nil (2010 - $10,400) charged by a business owned by a spouse of a director, and share-based compensation of $1,227 (2010 - $7,353) to the spouse.

(b) Included in receivables is $3,369 (2010 - $13,066) due from companies with a director in common and included in accounts payable $1,104 (2010 - $Nil) owed to a company with a director in common.

The remuneration of directors and key management personnel during the years ended December 31, 2011 and 2010 are as follows:

		2011		2010
Wages and consulting fee	$	99,000	$	96,000
Corporate secretary		30,000		30,000
Share-based compensation (i)		15,532		117,853
	$	144,532	$	243,853

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

11. SHARE CAPITAL

(a) Authorized

As at December 31, 2011, 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.

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.

In August 2010, the Company completed a non-brokered private placement, pursuant to the Option and Joint Venture Exploration Agreement on the Woodjam South property, for the issue of 1,818,182 common shares at $0.165 per share. The Company incurred share issue costs in the amount of $2,350 in connection with the private placement.

During the year ended December 31, 2010, the Company issued 25,000 common shares with a value of $2,500 on exercise of warrants.

During the year ended December 31, 2010, the Company issued 10,000 common shares with a value of $1,800 on exercise of options and reclassified $853 from share-based compensation reserve.

11. SHARE CAPITAL (continued)

(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 September 2011, the Company received shareholder approval to grant up to 14,713,445 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, 2011 the Company had stock options outstanding for the purchase of 3,660,555 common shares. Of this amount, options to purchase 3,660,555 common shares with a weighted average exercise price of $0.16 were fully vested and exercisable at December 31, 2011.

Stock option transactions are summarized as follows:

	December 31, 2011		**December 31, 2010**	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	8,705,000	$0.15	8,140,000	$0.16
Granted	-	-	1,265,000	$0.12
Exercised	(3,244,445)	$0.11	(10,000)	$0.10
Forfeited	(1,800,000)	$0.22	(690,000)	$0.18
Outstanding at end of period	3,660,555	$0.16	8,705,000	$0.15

As at December 31, 2011, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Expiry Date	Exercise Price
500,000	May 28, 2012	$0.32
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
3,660,555		

11. SHARE CAPITAL (continued)

(d) Options - Share-based Compensation

The fair value of options granted during the year was $Nil (2010 - $112,822). Total share-based compensation expense recognized for the options that vested during the year was $21,423 (2010 - $154,320).

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2011	2010
Expected dividend yield	-	0.00%
Expected stock price volatility	-	117%
Risk-free interest rate	-	1.99%
Forfeiture rate	-	0.00%
Expected life of options	-	5 years

(e) Warrants

At December 31, 2011 there was an aggregate of 7,930,065 share purchase warrants outstanding as follows:

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

At December 31, 2010 there was an aggregate of 1,810,000 share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Outstanding at December 31, 2009	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding at December 31, 2010
$0.10	June 09, 2011*	835,000	-	(25,000)	-	810,000
$0.16	June 23, 2011	1,000,000	-	-	-	1,000,000
					-	
		1,835,000	-	(25,000)	-	1,810,000

* Warrants were re-priced and extended from June 9, 2009 at $0.35 to June 9, 2011 at $0.10. These warrants had a forced exercise provision whereby if the Company's stock price is $0.13 for 10 consecutive trading days, the warrant holders will have 30 days to exercise the warrants; otherwise they will expire on the 31st day.

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:

Rate Reconciliation

	2011	2010
Accounting profit (loss) before income taxes	(1,059,586)	(539,604)
Income tax expense (recovery) at statutory tax rates	(281,000)	(154,000)
Non-deductible expenditures	694,000	44,000
Impact of future income tax rates applied versus current statutory rate	(23,000)	14,000
Impact of flow through shares	52,000	-
Share issue costs	(9,000)	(1,000)
Change in unrecognized deductible temporary differences	126,000	281,000
Impact of plan of arrangement and other	(559,000)	(184,000)
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	**2011**	**Expiry Date Range**	**2011**
Share issue costs	40,000	2032 to 2035	40,000
Allowable Capital losses	1,000	not applicable	1,000
Non-Capital losses	2,041,000	2027 to 2031	2,615,000
Capital assets	41,000	not applicable	58,000
CEC	75,000	not applicable	-
Mineral properties	4,266,000	not applicable	3,315,000
ITC	87,000	2027 to 2031	59,000

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 a balance due relating to share subscriptions receivable. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

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:

		2011		**2010**
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		1,084		654
Financing activities				
Shares issued for mineral properties	$	163,500	$	-
Expiration of options and warrants		436,156		123,462
Fair value of options exercised		313,368		853
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**
2012		30,569
2013		32,143
2014		33,061
2015		22,042
	$	117,815

17. SUBSEQUENT EVENTS

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

(a) In January 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 common shares) 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.

18. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements are for the years ended December 31, 2011 and 2010 and have been prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011 and 2010, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date".

In preparing these IFRS financial statements for the year ended December 31, 2011, the Company has adjusted amounts reported previously that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemption:

(a) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its GAAP estimates for the same date.

18. FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between GAAP and IFRS consolidated statement of financial position as at January 1, 2010 (date of transition to IFRS) is provided below:

		January 1, 2010		
	Note	GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash		$ 297,052	$ -	$ 297,052
Receivables		11,279	-	11,279
Prepaids		11,316	-	11,316
		319,647	-	319,647
Mineral properties		4,947,961	-	4,947,961
Deposits		23,000	-	23,000
Equipment		4,360	-	4,360
		$ 5,294,968	$ -	$ 5,294,968
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 43,367	$ -	$ 43,367
Shareholders' equity				
Share capital		16,787,986	-	16,787,986
Share-based compensation reserve	(b)	1,159,980	68,000	1,227,980
Contributed surplus	(b)	516,210	(516,210)	-
Deficit		(13,212,575)	448,210	(12,764,365)
		5,251,601	-	5,251,601
		$ 5,294,968	$ -	$ 5,294,968

18. FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between GAAP and IFRS consolidated statement of financial position as at December 31, 2010 is provided below:

		December 31, 2010		
	Note	GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash		$ 126,479	$ -	$ 126,479
Receivables		48,324	-	48,324
Prepaids		5,180	-	5,180
		179,983	-	179,983
Mineral properties		4,987,714	-	4,987,714
Deposits		41,549	-	41,549
Equipment		6,604	-	6,604
		$ 5,215,850	$ -	$ 5,215,850
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 48,379	$ -	$ 48,379
Shareholders' equity				
Share capital	(a)	17,054,045	35,945	17,089,990
Share-based compensation reserve	(b)	1,189,985	68,000	1,257,985
Contributed surplus	(b)	639,672	(639,672)	-
Deficit		(13,716,231)	535,727	(13,180,504)
		5,167,471	-	5,167,471
		$ 5,215,850	$ -	$ 5,215,850

18. FIRST TIME ADOPTION OF IFRS (continued)

The reconciliation between GAAP and IFRS comprehensive loss for the year ended December 31, 2010, is provided below:

	Note	Year Ended December 31, 2010		
		GAAP	Effect of Transition to IFRS	IFRS
Expenses				
Accounting and audit		$ 63,800	$ -	$ 63,800
Administrative fees		37,737	-	37,737
Consulting fees		19,525	-	19,525
Depreciation		2,179	-	2,179
Filing fees		18,727	-	18,727
Legal fees		9,416	-	9,416
Office and printing		32,049	-	32,049
Rent		38,780	-	38,780
Shareholders' information		83,219	-	83,219
Stock-based payments		154,320	-	154,320
Transfer agent fees		3,682	-	3,682
Wages and benefits		35,912	-	35,912
Loss before other items		(499,346)	-	(499,346)
Other items				
Interest income		1,080	-	1,080
Property investigation		(41,335)	-	(41,335)
Loss before income taxes		(539,601)	-	(539,601)
Deferred income tax recovery		35,945	(35,945)	-
Loss and comprehensive loss for the year		$ (503,656)	$ (35,945)	$ (539,601)

18. FIRST TIME ADOPTION OF IFRS (continued)

There are no significant differences between IFRS and GAAP in connection with the Company's statements of cash flows for the year ended December 31, 2011 or the year ended December 31, 2010.

(a) Flow through shares

Under IFRS, flow-through instruments are treated as a compound instrument consisting of a liability component and an equity component. When issued at a premium, the fair value of the equity component is allocated to share capital, and the remainder is considered a liability representing the Company's obligation to pass a tax deduction on to the shareholder. Where there is no excess value of attribute to the liability, no liability is recognized. As the Company discharges the liability by making the required mineral property expenditures, the liability is reduced into income.

As at January 1, 2010 and December 31, 2010, the Company had no flow-through liabilities.

(b) Reclassification with equity section

Under GAAP, a balance within contributed surplus existed to record the issuance of compensatory warrants and options. Under the adoption of IFRS, the balances in this account have been reclassified to 'Share-based payments reserve' and additionally, the Company has reclassified amounts relating to forfeited and expired options and compensatory warrants back into deficit or share capital where they were originally recorded.

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, 2011.

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, 2012 (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, 2011

On January 11, 2011, the Company issued 700,000 common shares pursuant to the Kimberley Gold Trend Agreement.

On January 31, 2011, 810,000 warrants with an exercise price of $0.10 were exercised for gross proceeds of $81,000.

On March 2, 2011, the Company reported that Gold Fields approved a $6 million exploration program for the Woodjam North and Woodjam South Properties. When completed, Gold Fields would vest at an initial 51% on both Woodjam North and Woodjam South. A National Instrument 43-101 compliant inferred resource for the Southeast Zone was delivered in February 2012.

In mid-March 2011, Capstone provided Phase 2 funding ($150,000 to the end of June 2011) for the Tak-Milligan project.

On May 12, 2011, the Company reported that it had signed an agreement with Amarc Resources Ltd. to purchase certain proprietary exploration data for parts of the Company's two Milligan properties, part of its Tak-Milligan Project. Under the terms of the agreement the Company issued 100,000 common shares at a value of $19,000.
On May 31, 2011, 150,000 stock options with an exercise price of $0.37 expired, unexercised.

In June 2011, 520,000 stock options with an exercise price of $0.10 were exercised for gross proceeds of $52,000 and 90,000 stock options with an exercise price of $0.12 were exercised for gross proceeds of $10,800.

On June 2, 2011, the Company announced that it had started its exploration program on the Tak Project. Capstone, under an option agreement with the Company, provided $150,000 for funding the the exploration program to the end of June 2011. During June, reconnaissance induced polarization surveys totaling 19 line kilometres and limited soil sampling were completed over the Moffat and Tisdall Properties. Limited soil sampling was also completed on the Howard Lake and LaHache Properties. Capstone vested a 49% interest in the Tak-Milligan Project as of June 30, 2011.

On June 7, 2011, the Company announced that the Woodjam Joint Venture (Fjordland and Cariboo Rose) and Gold Fields had signed an option agreement with private vendors for the Magalloy-Magex Property, located adjacent to the Woodjam North Property. Cash payments totaling $300,000 will be made over a 4 year period and a 1.5% net return royalty reserved to the vendors that may be purchased outright for a cash payment of $1.5 million. A limited exploration program was completed on the property and drilling is planned for 2012.

On July 26, 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 consists 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 $3,240 were paid and the Company incurred additional share issue costs in the amount of $17,128 in connection with the placement.

On August 3, 2011, the Company reported that it has outlined a 3.5 kilometre long induced polarization (IP) anomaly on the Moffat Property, Tak-Milligan Project. In addition, it reported that an IP anomaly was outlined on the Tisdall Property, Tak-Milligan Project. Capstone, which vested a 49% interest in the Tak-Milligan Project on June 30, 2011, provided funding ($300,000) for the next phase of exploration to December 31, 2011.

On August 31, 2011, the Company announced that it had signed a Letter of Intent with private vendors to earn a 100% interest in the 2,200-hectare Dillard copper and gold property in southern BC.

On September 12, 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 consists 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.

On September 21, 2011, the Company announced that it had signed an option agreement with Xstrata Copper Canada to explore six of the QUEST JV properties. Xstrata may earn an initial 51% interest in the six properties (27,690 hectares) by funding $5 million in exploration expenditures and making cash payments totaling $325,000 to the joint venture over four years. Xstrata may earn an additional 14% interest by completing a feasibility study or incurring an additional $25 million in expenditures on the properties.

On November 29, 2011, the Company announced that it had completed its plan of arrangement with Consolidated Woodjam Copper Corp. (“CWCC”). The effective date of the plan of arrangement was November 25, 2011. (See Consolidated Woodjam Copper Corp below.)

On December 29, 2011, the Company reported that it closed a financing for gross proceeds of $207,000.

(b) Events Subsequent to December 31, 2011

On January 17, 2012, the Company reported that it had encountered copper-gold mineralization in four widely-spaced 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 the Company's recently optioned Dillard Property to the east.

On February 9, 2012, the Company reported that Capstone has 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; drilling could occur in mid-2012.

(c) Consolidated Woodjam Copper Corp.

The Company and Cariboo Rose Resources Ltd. ("Cariboo Rose"), partners in the Woodjam Joint Venture ("Woodjam JV"), agreed that to preserve the interests of its shareholders in the Woodjam North and South properties they should transfer these properties to a stand-alone corporate entity focused on the exploration and development of these properties. This transaction will also facilitate the advancement and recognition of the other mineral projects held by the Company and Cariboo Rose.

On June 29, 2011, the Company reported that it, and its joint venture partner Cariboo Rose, entered into a Letter of Intent to combine their respective interests in the Woodjam North and Woodjam South properties, into a new company ("Newco") which will be publically listed. Newco shares will be distributed on a proportionate basis to the Company and Cariboo Rose shareholders as of the effective date of Newco.

Matters relating to the reorganization were approved by shareholders at an extraordinary general meeting held on September 30, 2011. The reorganization was approved by the Supreme Court of British Columbia on October 7, 2011 and the TSX Venture Exchange on November 16, 2011.

On October 5, 2011, the Woodjam JV announced a proposal to form a separate company Consolidated Woodjam Copper Corp. ("CWCC").

On November 25, 2011, the Plan of Arrangement between the Woodjam JV and Consolidated Woodjam Copper Corp. was completed. As a result of the closing, a total of 29,999,998 common shares of CWCC were issued, on a pro-rata basis, to the Company's shareholders and a total of 19,999,986 common shares in the capital of CWCC were issued, on a pro-rata basis, to the shareholders of Cariboo Rose, for a total of 49,999,984 shares issued and outstanding in WCC.

As part of the Plan of Arrangement, CWCC received $150,000 of funding from the Company and $100,000 of funding from Cariboo Rose for initial working capital.

On November 29, 2011, the Consolidated Woodjam Cooper Corp. common shares were listed for trading on the Exchange under the symbol WCC.

(d) 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. After some minor claim reduction of the LaHache property in early 2011, the Tak properties currently 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, then 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.

In March 2011, the Company received approval from Capstone for a Phase 2 exploration program, with a budget of $150,000 as outlined in the Agreement. This program, when completed at the end of June 2011, would allow Capstone to vest its initial 49% interest in the Tak - Milligan Project.

On May 12, 2011, the Company reported that it had signed an agreement with Amarc Resources Ltd. to purchase certain proprietary exploration data for parts of Fjordland's two Milligan properties. The data, from within Amarc's former Chona Project and generated in 2005, includes induced polarization survey results and inversions, certain magnetic survey information and drill hole data from two short holes, including locations, logs and analytical results. In consideration for the purchase of the data, Fjordland agreed to issue 100,000 common shares (issued) of Fjordland to Amarc, subject to acceptance by the TSX Venture Exchange. The Company is reevaluating the exploration data acquired from Amarc with the objective of identifying drill targets.

On June 2, 2011, the Company announced that it had commenced exploration on its Moffat, Tisdall, Canim and Howard Lake properties, which are part of the Tak package of the Tak-Milligan project. On August 3, 2011, the Company reported that during June, reconnaissance IP surveys were completed over the Moffat and Tisdall properties totaling 19 line kilometres; line spacing varied between 700 and 1,000 metres. In addition, limited soil sampling and prospecting were completed on these two properties, as well as on the Canim and Howard Lake properties. IP anomalies were outlined on both the Moffat and Tisdall properties.

On June 30, 2011, Capstone vested a 49% interest in the Tak-Milligan project and confirmed that it would the next phase of exploration work on the project; the commitment was for expenditures totaling $300,000 by the end of December 2011. The planned phase two program for 2011 included approximately 10 line kilometres of IP surveying and soil geochemical surveying on the Moffat and Tisdall properties, plus limited soil sampling on the Howard Lake and Milligan South properties.

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 will include additional IP surveys and limited drilling on selected properties.

(i) Tak - Moffat (24,974 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. The occurrence comprises pyrite, chalcopyrite, magnetite and malachite within and along quartz-epidote-potash feldspar veins that cut monzodiorite. A grab sample of this mineralized vein material, taken by the GSB, returned 1,671 parts per million copper, 1,432 parts per million silver and 105 parts per billion gold. During a property visit in early September 2009, Company geologists noted areas of extensive recent logging activities that had exposed numerous new outcrops of a similar geological nature as described above.

In December 2010, the Company reported the following assays from grab samples collected from two new occurrences located 800 metres apart, approximately 1,500 metres north northwest of the reported Harrison Creek occurrence and 15 kilometres south southeast of the Woodjam Cu-Au-Mo properties:

Sample No	Cu (ppm)	Au g/t	Ag g/t	Mo (ppm)	Sample Type
MR 10-05	3,630	0.29	6.94	11.0	Grab
MR 10-05A	509	0.01	0.16	1.5	Grab
MR 10-08	1,960	0.01	0.33	2.4	Grab
MR 10-08A	2,910	0.01	0.21	2.2	Grab
MR-10-08B	896	0.05	0.70	52.1	Grab

During the fall of 2010, the Company completed reconnaissance IP surveying consisting of 12 line kilometres over 4 lines. In addition, 65 soil samples were collected.

During June 2011, the Company completed a further 11 line kilometres on 5 lines of reconnaissance IP surveying. In addition, limited soil sampling (260 samples) was completed. Line spacing varies between 700 and 1,000 metres apart.
On August 3, 2011, the Company announced that it had outlined a large (3.5 kilometre long) IP chargeability high anomaly in 5 lines, coincident with a copper-in-soils anomaly, trending north-northwesterly on the northwestern portion of the Moffat Property. An additional 6.5 line kilometres of in-fill and expansion (to the north) IP surveying were completed in September.

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 the 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

The holes were collared between 1,000 metres to 1,400 metres apart, over an overburden-covered area approximately 2,000 metres in length and 2,000 metres in width. Varying quantities of disseminated and/or fracture/vein-hosted chalcopyrite and pyrite mineralization were encountered in all four holes. The sulphide mineralization is hosted within potassically-altered and magnetite-rich dioritic to monzodioritic phases of the Takomkane batholith and Nicola Group volcaniclastic rocks.

(ii) Tak - Tisdall (7,195 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 the fall of 2010, the Company completed 5 line kilometres (2 lines) of reconnaissance IP surveying, plus limited soil sampling (86 samples).

During June 2011, the Company completed an 8 line kilometre reconnaissance IP survey. On August 3, 2011, the Company announced that it had identified an IP chargeability high anomaly, located immediately south of the Tisdall Lake copper showing, into which Gold Fields drilled 3 holes totaling 761 metres in September 2011. During August-September 2011, an additional 4 line kilometres of IP surveying and limited soil sampling were completed.

(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.

Between October and November, the Company completed one reconnaissance induced polarization line (2 line kilometres), and collected 69 soil samples. Anomalies have been identified.

(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.

In the fall of 2010, the Company completed a limited soil sampling program consisting of 120 samples. In June 2011, the Company ground-truthed historic trenches and completed limited soil sampling (40 samples) along 2.8 line kilometres on 2 in-fill lines. Two areas with large lead-zinc-silver-copper anomalies have been identified.

(v) Tak - Canim (4,160 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 the fall of 2010, the Company completed a 4 line kilometre reconnaissance IP survey (over 2 lines), and collected 51 soil samples. During June 2011, prospecting was carried out, as well as compilation of previous soil geochemical and geophysical information from historic reports.

(vi) Tak - Howard Lake (4,000 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 the fall of 2010, the Company collected 46 soil samples and compiled historic geophysical, geochemical and drilling data on the property. Two IP chargeability high anomalies and several soil geochemical are identified.

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.

(vii) Tak - HR (400 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.

During the fall of 2010, the Company collected 43 soil samples.

(viii) Tak - Milligan (2,980 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 October 2010, the Company completed 2 lines of soil sampling on the Milligan South claim.

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.

(e) 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.

In mid-October 2009, the QJV completed a three hole (790 metre) drilling program on the Mil gold-copper property, comprising 13,900 hectares and located 25 kilometres southwest of the Mt. Milligan copper-gold deposit. A large residual aeromagnetic anomaly measuring ten by five kilometres in diameter had been outlined by previous government surveys. Within this area, the QJV outlined attractive induced polarization (IP) chargeability and resistively anomalies over an area measuring one and a half by one kilometre, coincident with a previously identified glacial till gold anomaly (up to 2,300 parts per billion). The IP anomaly flanks a prominent magnetic high. The first two holes drilled into this anomaly did not encounter significant amounts of copper or gold mineralization. The third hole in the program, located three kilometres to the northwest of the area described above and identified in the course of the 2009 exploration program, encountered increased copper values over the bottom 50 metres, with the best interval assaying 0.11% Cu over the last eight metres.

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.

On January 25, 2012, Xstrata Copper provided an update on its activities. Infill and expanded IP surveys were completed on all six properties; drill targets are expected to be identified and prioritized by spring 2012.

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.

(f) 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 early 2011, the Company completed a compilation of a large amount of exploration data on the area. Initial reconnaissance-type was completed on selected properties later in the year. In December 2011, the Company allowed all but two of the properties (St. Mary and Bootleg) to lapse.

(g) 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.

The targets included base metals (SEDEX) mineralization (e.g. Sullivan mine) and iron-oxide-copper-gold (IOCG) type, as well as structurally-controlled gold mineralization.

During early 2011, the Company completed a compilation of a large amount of exploration data on all the properties. Exploration programs to identify additional drill targets on all seven properties were undertaken. Potential drill targets were identified on the Red Lobster, Big Kahuna and GCP properties; drilling permits are in place. A 4 hole, 906 metre diamond drilling program was completed on the Red Lobster property during late October and early November.

In December 2011 the Company completed an additional two drill holes (760 metres) on the Red Lobster Property, and during January 2012 it completed a three-hole drilling program (592.8 metres) on the GCP Property.

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.

(h) Dillard, British Columbia

In August 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.

Compilation studies are in progress; drilling is planned.

(i) 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

A comprehensive exploration program is planned for 2012, including drilling in the fall of 2012.

Mineral Property Expenditures Table

	Woodjam South BC.	Woodjam North BC.	QUEST BC.	Tak-Milligan BC.	Iron Range BC	KGT BC	Dillard BC	Total
Cost								
Balance, January 1, 2010	$1,311,805	$2,998,089	$598,825	$39,242	$ -	$ -	$ -	$4,947,961
Additions:								
Acquisition costs	-	-	4,222	20,612	23,737	-	-	48,571
Operator fees	(185)	-	(191)	-	-	-	-	(376)
Property	2,295	2,954	225	9,159	2,700	-	-	17,333
Permitting	-	-	-	456	-	-	-	456
Administration	11,107	5,699	2,128	3,372	1,240	-	-	23,546
Geology	15,525	-	900	40,359	-	-	-	56,784
Geophysics	-	-	-	86,406	-	-	-	86,406
Geochemistry	-	-	-	35,558	-	-	-	35,558
Data verification	10,770	5,622	126	1,021	1,240	-	-	18,779
Drilling	3,554	2,670	-	-	-	-	-	6,224
Joint venture recoveries	(20,417)	-	(7,987)	-	-	-	-	(28,404)
Option payments	-	(72,000)	-	-	-	-	-	(72,000)
Cost recoveries	-	(855)	(230)	(152,039)	-	-	-	(153,124)
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-	-	-	-	-	-	(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

Selected Annual Information

Selected annual information from the Company's audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009.

	IFRS 2011 ($)	IFRS 2010 ($)	CGAAP 2009 ($)
General and administration expenses	(424,919)	(499,346)	(643,620)
Loss for the year	(1,058,336)	(539,601)	(614,508)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)
Cash dividends per share	Nil	Nil	Nil
Other comprehensive income (loss)	Nil	Nil	Nil
Assets	1,573,757	5,215,850	5,294,968
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").

The Company's transition date to IFRS is January 1, 2010. The disclosures concerning the transition from Canadian Generally Accepted Accounting Standards ("GAAP") to IFRS are provided in Note 18 of the Financial Statements.

Current Quarter

The Company's cash position increased from $126,479 to $593,153. The largest use of cash was for general and administrative expenditures.

On December 23, 2011, the Company completed a non-brokered private placement and issued 2,587,500 flow-through units for gross proceeds of $207,000.

The Company received $366,167 from the exercise of stock options.

The $119,711 receivables as of December 31, 2011 included $101,076 (received) in HST filed.

Of the $48,549 in deposits at year end December 31, 2011, $34,000 consists of reclamation bonds and $14,549 is held as a rent deposit.

Year Ended December 31, 2011

Results of operations for the year ended December 31, 2011 are discussed in comparison with the year ended December 31, 2010. General and administrative expenses of $424,919 (2010 - $499,346) represents a $74,727 decrease compared to the comparative period. Notable changes include:

Total stock-based compensation on options granted, and vested during the year ended December 31, 2011, resulted in $21,423 (2010 - $154,320) being expensed.

Accounting and audit expenditures were $65,620 (2010 - $63,800).

Legal fees were $19,263 (2010 - $9,416).

Shareholders' information was $101,027 (2010 - $83,219). A breakdown is provided below:

		December 31, 2011		December 31, 2010
Administration	$	7,659	$	9,475
Conferences		26,390		16,481
Consulting		36,000		36,000
Promotion		10,982		6,103
Media		16,076		9,102
Travel		3,920		6,058
	$	101,027	$	83,219

Consulting fees of $37,100 (2010 - $19,525) represents an increase of $17,575 from 2010.

Administration fees of $38,032 (2010 - $37,737) represents a increase of $295 from 2010.

Wages and benefits of $43,868 (2010 - $35,912) are allocated as to time spent on exploration.

The Company's net loss for the period was $1,058,336 (2010 - $539,601) or $0.01 per share (2010 - $0.01).

Exploration expenditures during the year ended December 31, 2011 were $1,333,495 (2010 - $293,281), which consisted of $188,458 (2010 - $48,571) in acquisition costs and $1,145,037 (2010 - $244,710) in exploration costs.

During the year ended December 31, 2011 the Company, issued 800,000 shares (2010 - Nil) valued at $163,500 (2010 - $Nil) relating to exploration properties; had cost recoveries of $609,143 (2010 - $181,528) and cash option payments of $99,175 (2010 - $72,000).

During the year ended December 31, 2011, the Company wrote down $607,932 (2010 - $Nil) in acquisition and exploration costs.

As a result of the Plan of Arrangement $4,206,203 of acquisition and exploration costs was transferred to share capital.

Summary of Quarterly Results

	In accordance with							
	IFRS	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**
	Mar 31 2010 Q1	**Jun 30 2010 Q2**	**Sept 30 2010 Q3**	**Dec 31 2010 Q4**	**Mar 31 2011 Q1**	**Jun 30 2011 Q2**	**Sept 30 2011 Q3**	**Dec 31 2011 Q4**
Mineral property costs deferred, net	33,891	28,804	35,198	195,388	169,100	163,937	(100,987)	(4,421,008)
G&A (incl. share-based payments)	(137,993)	(132,947)	(103,396)	(125,010)	(113,036)	(79,734)	(182,682)	(49,467)
Share-based payments expense	50,956	47,866	34,279	21,219	11,287	5,156	4,591	389
Adj G&A (less share-based payments)	(87,037)	(85,081)	(69,117)	(103,791)	(101,749)	(74,578)	(178,091)	(49,078)
Net loss	(108,407)	(150,150)	(116,959)	(164,085)	(116,725)	(85,860)	(187,469)	(668,282)
Income (loss) per share - basic	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average common shares outstanding - basic	67,211,590	67,211,590	68,100,918	67,929,763	70,234,772	70,435,994	73,415,588	73,423,048

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, 2011, the Company had a cash position of $593,153 and working capital of $555,061 compared to a cash position of $126,479 and working capital of $131,604 at December 31, 2010.

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

On July 26, 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 consists of one common share and one share purchase warrant. Each share purchase warrant will entitle 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.

On September 12, 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 consists of one common share and one share purchase warrant. Each share purchase warrant will entitle 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.

On December 23, 2011, the Company completed a non-brokered private placement for the issuance of 2,587,500 non flow-through units at $0.08 per unit. Each unit consists 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.

The Company issued 700,000 common shares pursuant to the option agreement with Kootenay Gold Inc. pertaining to the Kimberly Gold Trend property in BC.

The Company signed an agreement with Amarc Resources Ltd. to purchase proprietary exploration data for parts of the Milligan property. Under the terms of the agreement, the Company issued 100,000 common shares of the Company.

The Company issued 3,244,445 common shares for proceeds of $366,167 on the exercise of stock options.

The Company received $81,000 from the exercise of 810,000 warrants.

For the year ended December 31, 2011, 150,000 options with an exercise price of $0.21 expired, unexercised; 150,000 options with an exercise price of $0.37 expired, unexercised and 1,500,000 options with an exercise price of $0.205 expired, unexercised.

Subsequent to December 31, 2011, the Company issued 250,000 common shares pursuant to the option agreement with Almaden Minerals Ltd pertaining to the Dill 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 $Nil (2010 - $10,400) charged by a business owned by a spouse of a director, and share-based compensation of $1,227 (2010 - $7,353) to the spouse.

(b) Included in receivables is $3,369 (2010 - $13,066) due from companies with a director in common and included in accounts payable $1,104 (2010 - $Nil) owed to a company with a director in common.

(c) The remuneration of directors and key management personnel during the year ended December 31, 2011 and 2010 are as follows:

		2011		2010
Salary and consulting fee	$	99,000	$	96,000
Corporate secretary		30,000		30,000
Share-based payments (i)		15,532		117,853
	$	144,532	$	243,853

(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.

New Accounting Policies

The following new accounting standards have been adopted by the Company:

IFRS 1 sets forth guidance for the initial adoption of IFRS. The Company had restated its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company had reconciled equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts.

IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

The Company had used the following IFRS 1 optional exemption:

- to apply the requirements of IFRS 2, *Share-based Payments*, to equity instruments granted which had not vested as of the Transition Date.

Changes to estimates previously made are not permitted. The estimates previously made by the Company under GAAP are not revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

Impact of Adoption of IFRS on Financial Reporting

While GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. See Note 18 to the financial statements for detailed reconciliation and information. The following financial statement areas are significantly impacted:

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 January 1, 2010 amounted to $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 and accounts payable. 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 82,099,282 issued common shares outstanding and the following unexercised stock options and warrants:

Stock Options

Expiry Date	Exercise Price	Number of Shares
May 28, 2012	$0.32	500,000
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
		3,660,555

Warrants

Expiry Date	Exercise Price	Number of Shares
July 25, 2012	$0.23	1,896,456
September 12, 2012	$0.23	3,446,109
December 23, 2012	$0.15	2,587,500
		7,930,065

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.
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SHARE LISTING

TSX Venture Exchange
Symbol: FEX

CAPITALIZATION AT DECEMBER 31, 2011

Shares Authorized: Unlimited
Shares Issued and Outstanding 86,849,282