



CONSOLIDATED FINANCIAL STATEMENTS
(audited)

DECEMBER 31, 2006 and 2005



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Fjordland Exploration Inc. have been prepared by and are the responsibility of the Company's management. The financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The financial statements have been audited by Davidson & Company LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

"Victor A. Tanaka"

Victor A. Tanaka
President

April 19, 2007

AUDITORS' REPORT

To the Shareholders of
Fjordland Exploration Inc.

We have audited the consolidated balance sheet of Fjordland Exploration Inc. as at December 31, 2006 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited consolidated financial statements at December 31, 2005 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those statements in their report dated April 11, 2006.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

March 28, 2007

A Member of SC INTERNATIONAL

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FJORDLAND EXPLORATION INC.
Consolidated Balance Sheets
December 31
Canadian Funds

	2006	2005
Assets		
Current		
Cash	\$ 1,434,385	\$ 182,801
Receivables	14,073	19,580
Prepaid deposit	10,844	10,356
	1,459,302	212,737
Mineral Properties (Note 4)	2,523,957	1,621,615
Deposit for Reclamation	24,171	7,000
Equipment (Note 5)	9,909	13,170
	\$ 4,017,339	\$ 1,854,522
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 52,083	\$ 34,903
Advance from exploration partner (Note 4)	87,468	-
Due to related parties (Note 8)	46,600	606
	186,151	35,509
Shareholders' Equity		
Share Capital (Note 6)	14,369,218	11,832,234
Share Subscription	-	56,000
Option Compensation (Note 6(e))	671,270	508,439
Contributed Surplus	45,430	45,430
Deficit	(11,254,730)	(10,623,090)
	3,831,188	1,819,013
	\$ 4,017,339	\$ 1,854,522

Continued Operations (Note 1)
 Commitments (Note 11)
 Subsequent Events (Note 13)

On behalf of the Board:

"Victor A. Tanaka"
 Victor A. Tanaka, Director

"G. Ross McDonald"
 G. Ross McDonald, Director

FJORDLAND EXPLORATION INC.
Consolidated Statements of Operations and Deficit
For the Years Ended December 31
Canadian Funds

	2006	2005
Expenses		
Stock-based compensation <i>(Note 6 (e))</i>	\$ 165,305	\$ 306,125
Consulting fees	82,760	34,750
Accounting and audit	65,914	55,724
Shareholders' information	50,373	69,849
Office and printing	33,023	25,427
Rent	26,219	24,000
Administration fees	24,851	30,080
Wages and benefits	15,114	24,658
Filing fees	12,108	13,126
Transfer agent fees	5,587	6,066
Legal fees	3,653	3,957
Amortization	3,261	3,714
Bank charges and interest	1,140	2,297
Foreign exchange loss (gain)	320	(555)
Loss Before Other Items	(489,628)	(599,218)
Other Items		
Interest income	18,456	2,942
Property investigation	1,131	1,632
Bad debt recovery	-	1,543
Mineral properties written-off <i>(Note 4)</i>	(347,041)	(94,830)
Loss Before Income Taxes	(817,082)	(687,931)
Recovery of future income taxes <i>(Note 10)</i>	185,442	-
Loss for the Year	(631,640)	(687,931)
Deficit, Beginning of Year	(10,623,090)	(9,935,159)
Deficit, End of Year	\$ (11,254,730)	\$ (10,623,090)
Basic and Diluted Loss Per Share	\$ (0.02)	\$ (0.02)
Weighted Average Shares Outstanding	39,753,801	32,508,327

FJORDLAND EXPLORATION INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31
Canadian Funds

	2006	2005
Cash provided by (Used for):		
Operating Activities		
Loss for the year	\$ (631,640)	\$ (687,931)
Less: non cash items		
Amortization	3,261	3,714
Stock-based compensation	165,305	306,125
Mineral properties written-off	347,041	94,830
Recovery of future income taxes	(185,442)	-
	(301,475)	(283,262)
Net Change in non-cash working capital		
Accounts receivable	5,507	14,935
Prepaid expenses	(488)	885
Accounts payable	1,452	12,747
Due to related parties	45,994	(3,778)
	(249,010)	(258,473)
Financing Activities		
Shares issued for cash	2,596,750	618,874
Share issuance costs	(9,798)	(4,346)
Share subscriptions received	-	56,000
	2,586,952	670,528
Investing Activities		
Advances from exploration partner	87,468	-
Joint Venture recoveries	450,973	-
Resource property expenditures	(1,619,702)	(536,924)
Reclamation deposits	(17,171)	-
Operator's fees received	12,074	-
Purchase of equipment	-	(2,628)
	(1,086,358)	(539,552)
Net Increase (Decrease) in Cash	1,251,584	(127,497)
Cash Position - Beginning of Year	182,801	310,298
Cash Position - End of Year	\$ 1,434,385	\$ 182,801

Supplemental Disclosure with Respect to Cash Flows (Note 7)

1. CONTINUED OPERATIONS

Fjordland Exploration Inc. (the "Company") is engaged in the exploration and development of mineral properties.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2006, the Company has an accumulated deficit of \$11,254,730 (2005 - \$10,623,090), has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The Company's ability to continue as a going concern is dependent on its ability to raise equity financing and attain profitable operations.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities and the reported revenues and expenses should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Nevada Prospectors Inc. ("NPI").

(b) Mineral Properties

Acquisition costs of mineral properties and direct exploration and development expenditures thereon are capitalized on an individual prospect basis. Costs relating to properties abandoned are written-off when such decision is made. When production is attained, these costs are reclassified as mining assets and are amortized using the unit of production method based upon estimated recoverable reserves.

If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to develop the properties and future profitable production from the properties or proceeds from disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral Properties (Continued)

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

(c) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its mineral interests in good standing.

(d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recognized using the following:

Office equipment - 30% declining balance
Furniture and fixtures - 20% declining balance
Leasehold improvements - straight line basis over six years

(e) Stock-Based Compensation

The Company accounts for stock-based payments to directors, employees and non-employees, including direct awards of stock, using the Black-Scholes option pricing model, a fair value based method, and are recorded as an expense in the period the stock-based payments are vested with a corresponding increase in shareholders' equity. When stock options are exercised the corresponding fair value is transferred to capital stock. When stock options are forfeited, cancelled or expired the corresponding fair value is transferred to contributed surplus.

(f) Earnings (Loss) per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which requires the recognition of a legal liability for obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, changes in the extent of environmental remediation required, changes in the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

(h) Share Capital

- (i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.
- (ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

(i) Flow-Through Shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares whereby the flow-through shareholder may claim the tax deductions arising from the related qualifying resource expenditures incurred by the Company. On the date that the resource expenditures are renounced to the shareholder, the Company recognizes, as a cost of issuing the flow-through shares, a change in its future tax assets resulting from the difference between the book value and the tax value of the related resource expenditures.

If the date of renunciation is prior to the date of the related expenditures being incurred, the Company will recognize the timing difference if it has reasonable assurance that all qualifying expenditures will be made in accordance with the flow-through subscription agreement.

(j) Foreign Currency Translation

The accounts of the Company's foreign operations have been translated into Canadian dollars, using the temporal method, as follows:

- (i) Monetary assets and liabilities at year-end rates;
- (ii) All other assets and liabilities at historical rates; and
- (iii) Revenue and expense and exploration and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes whereby, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices, and the time they are recognized for income tax purposes, are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(l) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, deposit for reclamation bond, accounts payable and due to related parties, some of which are denominated in US Dollars and are subject to fluctuation in foreign exchange rates. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

4. MINERAL PROPERTIES

At December 31, 2006, expenditures made on mineral properties by the Company are as follows:

	Woodjam B.C.	Olympic-Rob Yukon	Blackrock Nevada	Star/ Wheeler California	Other	Total
Balance, December 31, 2005	\$1,381,659	\$ -	\$74,687	\$155,995	\$9,274	\$1,621,615
Additions during year:						
Acquisition costs	90,705	142,625	-	-	-	233,330
Exploration costs:						
Operator fees	(12,074)	-	-	-	-	(12,074)
Property	4,415	2,415	-	-	-	6,830
Geology	82,360	16,142	169	3,738	-	102,409
Drilling	1,266,501	-	-	92,095	-	1,358,596
Environmental	-	-	-	440	-	440
Permitting	182	-	1,809	8,834	-	10,825
	1,341,384	18,557	1,978	105,107	-	1,467,026
Additions during year	1,432,089	161,182	1,978	105,107	-	1,700,356
Joint Venture recoveries	(450,973)	-	-	-	-	(450,973)
Write-offs	-	-	(76,665)	(261,102)	(9,274)	(347,041)
Balance, December 31, 2006	\$2,362,775	\$161,182	\$ -	\$ -	\$ -	\$2,523,957

	Woodjam B.C.	Bald Peak Nevada	Blackrock Nevada	Star/ Wheeler California	Other	Total
Balance, December 31, 2004	\$876,185	\$45,824	\$72,378	\$110,245	\$56,139	\$1,160,771
Additions during year:						
Acquisition costs	43,750	-	-	-	413	44,163
Exploration costs:						
Administration	269	-	-	-	-	269
Property	3,734	-	1,961	8,112	17	13,824
Geology	75,299	250	348	3,708	-	79,605
Geochemistry	372	-	-	-	-	372
Drilling	391,748	-	-	-	-	391,748
Environmental	-	-	-	436	-	436
Permitting	8	1,461	-	33,494	-	34,963
	471,430	1,711	2,309	45,750	17	521,217
Additions during year	515,180	1,711	2,309	45,750	430	565,380
Cost recoveries	(9,706)	-	-	-	-	(9,706)
Write-offs	-	(47,535)	-	-	(47,295)	(94,830)
Balance, December 31, 2005	\$1,381,659	\$ -	\$74,687	\$155,995	\$9,274	\$1,621,615

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

4. MINERAL PROPERTIES (Continued)

(a) Woodjam, B.C.

As provided by an agreement dated August 1, 2001, the Company was granted an option to acquire a 60% interest in mineral claims located in central British Columbia. On October 24, 2003 and September 21, 2005, the agreement was amended. The Company, at its option, must fulfill the following in order to maintain the option:

On or Before	Shares	Cash Payment	Exploration Expenditures
October 31, 2001 (completed)	100,000	\$ -	\$ 35,000
October 31, 2002 (completed)	100,000	-	100,000
October 31, 2003 (completed)	100,000	-	-
October 31, 2004 (completed)	-	20,000	-
October 31, 2005 (completed)	125,000	25,000	-
October 31, 2006 (completed)	-	80,000	1,365,000
	425,000	\$ 125,000	\$ 1,500,000

The Company has made the final cash payment and completed its exploration commitment and has thereby earned its 60% interest.

Effective March 29, 2006, the Company entered into a joint venture agreement with Wildrose Resources Ltd. to fund future exploration and development expenditures on a Fjordland 60% - Wildrose 40% basis. During the year, Wildrose Resources Ltd. transferred its interest to Caribou Rose Resources Ltd. The Company will remain as operator of the project and pursuant to the agreement will earn a 3% operator fee on costs incurred.

In May 2006, the Woodjam Joint Venture staked additional mineral claims adjacent to, and in the vicinity of, the Woodjam property.

(b) Olympic-Rob, Yukon

By an agreement dated July 27, 2006, the Company was granted an option to acquire a 60% interest in mineral claims located in Yukon, Canada from Commander Resources Ltd. a company with common directors. The Company, at its option, must fulfill the following in order to maintain the option:

On or Before	Shares	Cash Payment	Exploration Expenditures
Upon execution of the agreement (completed)	350,000	\$ 50,000	\$ -
By December 31, 2007	350,000	50,000	600,000
By December 31, 2008	400,000	50,000	1,200,000
By December 31, 2009	500,000	100,000	1,250,000
By December 31, 2010	-	-	1,450,000
By December 31, 2011	-	-	2,500,000
	1,600,000	\$ 250,000	\$ 7,000,000

Once the Company has earned a 60% interest, a joint venture may be formed or, within 60 days of vesting, the Company may elect to earn an additional 20% interest, for a total of 80%, by issuing either 1,000,000 shares or a payment of \$3,000,000 at the optionor's election, and by carrying all further costs through to completion of a bankable feasibility study and a final payment of \$7,000,000. If an 80:20 joint venture is formed, the optionor may at any time elect to convert its 20% interest to a

4. MINERAL PROPERTIES (Continued)

(b) Olympic-Rob, Yukon (Continued)

2% net smelter return ("NSR") subject to a buy down option provision of 1% for a \$10,000,000 cash payment. Should the Company elect not to earn the additional 20%, then the optionor may elect to earn back a 20% interest for the next \$3,000,000 in expenditures such that it will then hold a 60% interest and the Company will hold a 40% interest.

During the year, the Company staked additional claims which are subject to the option agreement.

(c) Nevada, California

Nevada Prospectors Inc. (NPI), a wholly owned subsidiary of Fjordland Exploration Inc. had option agreements relating to the following projects:

(i) Blackrock Property, Nevada

By an agreement dated March 31, 2004, NPI held an option to acquire a 100% interest in certain mineral claims located in Lyon County, Nevada. The Company, at its option, was to issue 100,000 shares (issued) and make payments of \$100,000 (\$5,000 paid).

On November 27, 2006, the Company relinquished its option on the property and has written-off \$76,665 of acquisition and exploration costs, net of recoveries.

(ii) Wheeler Peak and Star City Properties, California

By an agreement dated September 26, 2003, NPI held an option to acquire a 100% interest in certain mineral claims located in Mono County, California. The Company was to make payments of \$100,000 (\$10,000 paid).

On November 27, 2006, the Company relinquished its option on the property and has written-off \$261,102 of acquisition and exploration costs, net of recoveries.

(iii) Bald Peak Property, Nevada

By an option agreement dated September 19, 2003, and its amendment dated May 21, 2004, NPI held an option to acquire a 100% interest in the property by paying US\$100,000 (\$10,000 paid).

On August 9, 2005, the Company relinquished its option on the property and has written-off \$47,535 of acquisition and exploration costs, net of recoveries.

(iv) Hot Property, Nevada

By an option agreement dated November 3, 2004, NPI held an option to acquire a 100% interest in the Hot Property in consideration of 50,000 common shares of the Company (issued) and repayment of staking costs (completed).

On August 9, 2005, the Company relinquished its option on the property and has written off \$17,425 of acquisition and exploration costs, net of recoveries.

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

4. MINERAL PROPERTIES (Continued)

(c) **Nevada, California** (Continued)

(v) **Rynn Property, Nevada**

By an option agreement dated November 3, 2004, NPI held an option to acquire a 100% interest in the Rynn Property in consideration of 100,000 common shares of Fjordland Exploration Inc. (issued) and repayment of staking costs (completed).

On August 9, 2005, the Company relinquished its option on the property and has written off \$29,870 of acquisition and exploration costs, net of recoveries.

5 EQUIPMENT

Details are as follows:

December 31, 2006	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 5,047	\$ 4,270	\$ 777
Office equipment	32,654	29,454	3,200
Leasehold improvements	10,171	4,239	5,932
	\$ 47,872	\$ 37,963	\$ 9,909

December 31, 2005	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 5,047	\$ 4,076	\$ 971
Office equipment	32,654	28,082	4,572
Leasehold improvements	10,171	2,544	7,627
	\$ 47,872	\$ 34,702	\$ 13,170

6. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

6. SHARE CAPITAL (Continued)

(b) Issued and fully paid

	No. of Shares	Amount
Balance as at December 31, 2004	30,767,570	\$ 11,193,825
Issued for cash		
Private placement, net of issue costs <i>(Note 6(c)(vi))</i>	1,486,400	286,849
Private placement, net of issue costs <i>(Note 6(c)(vii))</i>	1,115,000	192,400
Private placement, net of issue costs <i>(Note 6(c)(viii))</i>	115,000	18,905
Exercise of warrants	775,000	77,500
Exercise of options	341,250	38,874
Issued for cash and other consideration		
For resource properties	125,000	18,750
Exercise of options, stock-based compensation	-	5,131
Balance as at December 31, 2005	34,725,220	\$ 11,832,234
Issued for cash		
Private placement, net of issue costs <i>(Note 6(c)(i))</i>	749,800	143,000
Private placement, net of issue costs <i>(Note 6(c)(ii))</i>	1,744,400	291,780
Private placement, net of issue costs <i>(Note 6(c)(iii))</i>	1,050,000	416,789
Private placement, net of issue costs <i>(Note 6(c)(iv))</i>	48,600	17,796
Private placement, net of issue costs <i>(Note 6(c)(v))</i>	3,271,500	708,837
Exercise of warrants	3,532,500	1,059,750
Exercise of options	50,000	5,000
Issued for cash and other consideration		
Tax cost recognized on issuance of flow-through shares	-	(185,442)
For resource properties	350,000	77,000
Exercise of options, stock-based compensation	-	2,474
Balance as at December 31, 2006	45,522,020	\$ 14,369,218

(c) Private Placements

- (i) On January 5, 2006, the Company completed the first tranche of a non-brokered flow-through private placement for the issue of 715,000 flow-through units at \$0.20 per unit for gross proceeds of \$143,000. Each flow-through unit consisted of one flow-through common share and one non-transferable common share purchase warrant. Each warrant entitled the holder to acquire one additional common share exercisable at a price of \$0.30 per share until July 5, 2006. The Company issued 34,800 shares in finders' fees valued at \$5,220 in connection with the private placement.
- (ii) On February 7, 2006, the Company completed the final tranche of a non-brokered flow-through private placement for the issue of 840,000 flow-through units at a price of \$0.20 per unit and 840,000 non flow-through units at a price of \$0.15 per unit for gross proceeds of \$294,000. Each flow-through unit consisted of one flow-through common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional non flow-through common share at a price of \$0.30 per share until August 7, 2006. Each non flow-through unit consisted of one common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.25 until February 7, 2007. The Company issued 64,400 shares as finders' fees valued at \$9,660 and incurred additional share issue costs in the amount of \$2,220 in connection with the private placement.

6. SHARE CAPITAL (Continued)

(c) Private Placement (Continued)

- (iii) On May 31, 2006, the Company completed the first tranche of a non-brokered private placement for the issue of 1,050,000 units at \$0.40 per unit for gross proceeds of \$420,000. Each unit consisted of one common share and one-half non-transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share exercisable at a price of \$0.50 per share until May 31, 2007. The Company incurred share issue costs in the amount of \$3,211 in connection with the private placement.
- (iv) On July 4, 2006, the Company completed the final tranche of a non-brokered private placement for the issue of 45,000 units at a price of \$0.40 per unit for gross proceeds of \$18,000. Each unit consisted of one common share and one-half non-transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share exercisable at a price of \$0.50 per share until July 5, 2007. The Company issued 3,600 shares in finders' fees valued at \$1,440 and incurred additional share issue costs in the amount of \$204 in connection with the private placement.
- (v) On December 27, 2006, the Company completed a non-brokered private placement for the issue of 1,530,000 flow-through units at a price of \$0.25 per unit and 1,652,000 non flow-through units at a price of \$0.20 per unit for gross proceeds of \$713,000. Each flow-through unit consisted of one common share and one-half non-transferable common share purchase warrant entitling the holder to purchase one additional non flow-through common share at a price of \$0.35 per share until December 27, 2007. Each non flow-through unit consisted of one common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.30 until December 27, 2007. The Company issued 89,000 shares in finders' fees valued at \$19,760 and incurred additional share issue costs in the amount of \$4,163 in connection with the private placement.
- (vi) On June 6, 2005, the Company completed a non-brokered flow-through private placement for the issue of 1,452,500 units at \$0.20 per unit for gross proceeds of \$290,500. Each unit consisted of one common share and one non-transferable flow-through share purchase warrant. Each warrant entitles the holder to acquire one additional common share exercisable at a price of \$0.30 per share until December 6, 2005. The Company issued 33,900 shares in finders' fees and incurred additional share issue costs in the amount of \$3,651 in connection with the private placement.
- (vii) On October 31, 2005, the Company completed the first tranche of a non-brokered flow-through private placement for the issue of 515,000 flow-through units at a price of \$0.20 per unit and 600,000 non flow-through units at a price of \$0.15 per unit for gross proceeds of \$193,000. Each flow-through unit consisted of one flow-through common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional non flow-through common share at a price of \$0.30 per share until May 1, 2006. Each non flow-through unit consisted of one common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.25 until October 31, 2006. The Company incurred share issue costs in the amount of \$600 in connection with the private placement.

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

6. SHARE CAPITAL (Continued)

(c) Private Placement (Continued)

(viii) On November 7, 2005, the Company completed the final tranche of a non-brokered flow-through private placement for the issue of 35,000 flow-through units at a price of \$0.20 per unit and 80,000 non flow-through units at a price of \$0.15 per unit for gross proceeds of \$19,000. Each flow-through unit consisted of one flow-through common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional non flow-through common share at a price of \$0.30 per share until May 7, 2006. Each non flow-through unit consisted of one common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.25 until November 7, 2006. The Company incurred share issue costs in the amount of \$95 in connection with the private placement.

(d) 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. On May 20, 2004, the Company received shareholder approval to grant up to 5,461,096 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, 2006, the Company had stock options outstanding for the purchase of 4,867,500 common shares. Of this amount, options to purchase 3,581,250 common shares were fully vested and exercisable at December 31, 2006.

	2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,102,500	\$0.21	3,005,000	\$0.21
Granted	1,815,000	\$0.22	690,000	\$0.18
Exercised	(50,000)	\$0.10	(341,250)	\$0.11
Cancelled	-	-	(251,250)	\$0.21
Outstanding at end of year	4,867,500	\$0.22	3,102,500	\$0.21

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

6. SHARE CAPITAL (Continued)

(d) Stock Options (Continued)

The following summarizes information about stock options outstanding at December 31, 2006:

Number of Shares	Expiry Date	Exercise Price
345,000	July 15, 2007	\$0.120
962,500	September 21, 2008	\$0.100
1,055,000	August 5, 2009	\$0.370
690,000	January 30, 2010	\$0.180
150,000	February 23, 2011	\$0.210
150,000	May 31, 2011	\$0.370
1,515,000	December 20, 2011	\$0.205
4,867,500		

(e) Stock-Based Compensation

During the year ended December 31, 2006 the Company granted stock options to employees and non-employees to acquire up to 150,000 (2005 - 690,000) common shares at an exercise price of \$0.21 (2005 - \$0.18) per share, 150,000 common shares at an exercise price of \$0.37 per share and 1,515,000 common shares at an exercise price of \$0.205 per share.

The fair value of options granted during the year was \$371,031 (2005 - \$123,462). Total stock based compensation expense recognized for the options that vested during the year was \$165,305 (2005 - \$306,125). During the year ended December 31, 2006, the fair value of options exercised was \$2,474 (2005 - \$5,131), which is reclassified from the stock-based compensation equity account to share capital.

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:

	2006	2005
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	151%	237%
Risk-free interest rate	2.99%	3.47%
Expected life of options	5 years	4.9 years

The weighted average fair value of options granted during the year is \$0.19 (2005 - \$0.18).

Option pricing models require the input of highly subjective assumptions including 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.

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

6. SHARE CAPITAL (Continued)

(e) Stock-based Compensation (Continued)

Stock-based compensation equity account details are as follows:

	Amount
Balance as at December 31, 2004	\$ 248,375
Stock-based compensation expense	306,125
Fair value of options exercised	(5,131)
Fair value of options cancelled/expired	(40,930)
Balance as at December 31, 2005	508,439
Stock-based compensation expense	165,305
Fair value of options exercised	(2,474)
Balance at December 31, 2006	\$ 671,270

(f) Warrants

At December 31, 2006 there was an aggregate of 3,658,750 share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Outstanding at December 31, 2005	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding at December 31, 2006
\$0.30	June 06, 2006	1,452,500	-	(1,452,500)	-	-
\$0.50	August 10, 2006	1,458,000	-	-	(1,458,000)	-
\$0.60	August 10, 2006	1,458,000	-	-	(1,458,000)	-
\$0.30	May 01, 2006	515,000	-	(515,000)	-	-
\$0.30	May 07, 2006	35,000	-	(35,000)	-	-
\$0.30	July 05, 2006	-	715,000	(715,000)	-	-
\$0.30	August 07, 2006	-	840,000	(815,000)	(25,000)	-
\$0.25	February 07, 2007	-	840,000	-	-	840,000
\$0.50	May 31, 2007	-	525,000	-	-	525,000
\$0.50	July 05, 2007	-	22,500	-	-	22,500
\$0.25	October 31, 2007*	600,000	-	-	-	600,000
\$0.25	November 07, 2007*	80,000	-	-	-	80,000
\$0.35	December 27, 2007	-	765,000	-	-	765,000
\$0.30	December 27, 2007	-	826,250	-	-	826,250
		5,598,500	4,533,750	(3,532,500)	(2,941,000)	3,658,750

*During the year, the expiry of these warrants was extended for an additional year, from October 31, 2006 and November 7, 2006 to October 31, 2007 and November 7, 2007 respectively.

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had non-cash transactions as follows:

	2006	2005
Significant non-cash operating, investing and financing activities:		
Operating activities	-	-
Investing activities		
Resource expenditures included in accounts payable at year end	15,728	-
Financing activities		
Shares issued for resource properties	77,000	18,750
Shares issued for share subscriptions received in previous year	56,000	-
Shares issued as finder's fees	36,080	-
Fair value of options exercised	2,474	5,131
Other cash flow information		
Interest received	\$ 18,429	\$ 2,584

8. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are as follows:

- (a) The Company incurred administrative and geological consulting fees of \$114,010 (2005 - \$60,000) charged by a director. The Company also incurred accounting fees of \$38,787 (2005 - \$28,810) charged by a relative of a director.
- (b) The Company paid legal fees of \$Nil (2005 - \$2,875) to a law firm of which a former officer of the Company was a principal.
- (c) Due to related parties is an aggregate of \$46,600 (2005 - \$606) which consists of a bonus payable recorded as consulting fees to a director and various shared office administration costs.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

FJORDLAND EXPLORATION INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005
Canadian Funds

9. SEGMENTED INFORMATION

The Company operates only in the mineral exploration segment. Substantially all of the Company's assets and operations are located in Canada, except for certain mineral properties, which are located in the United States.

The breakdown by geographic region is as follows:

December 31, 2006	Canada	United States	Total
Capital assets	\$ 2,543,366	\$ 14,671	\$ 2,558,037
December 31, 2005	Canada	United States	Total
Capital assets	\$ 1,401,831	\$ 239,954	\$ 1,641,785

10. INCOME TAXES

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

	2006	2005
Loss before income taxes	\$ (817,082)	\$ (687,931)
Expected income tax recovery	(285,319)	(244,903)
Amortization	1,178	1,322
Stock-based compensation	59,708	108,980
Other non-deductible items	181,216	33,759
Deductible items	(6,171)	(3,961)
Unrecognized benefit of non-capital losses	(136,054)	104,803
Future income tax recovery	\$ (185,442)	\$ -

During the current year, the Company renounced \$543,500 (2005 - \$Nil) of its mineral expenditures to flow-through shareholders. The resultant loss of future income tax assets, which is treated as a cost of issuing flow-through shares (*Note 2 (i)*), gives rise to a future income tax liability of \$185,442. This liability has been offset by the Company's recognition of future income tax assets that have been previously written-down by a valuation allowance.

Future income tax assets reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future tax assets are as follows:

	2006	2005
Non-capital loss carry-forwards	\$ 375,000	\$ 289,000
Mineral property exploration expenditures	1,538,000	2,446,000
Equipment	14,000	14,000
Share issuance costs	13,000	17,000
	1,940,000	2,766,000
Valuation allowance	(1,940,000)	(2,766,000)
	\$ -	\$ -

The Company's non-capital loss carry-forwards expire between 2007 and 2026.

11. COMMITMENTS

In 2004, the Company entered into a six-year lease agreement for office premises effective July 1, 2004. Minimum future annual lease payments based on basic rent charges are as follows:

Fiscal Year	Amount
2007	14,185
2008	14,500
2009	14,815
2010	7,408
	<u>\$ 50,908</u>

In addition to basic rent, the Company is also subject to its proportionate share of taxes and operating costs.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the Company issued 418,500 common shares for proceeds of \$104,625 pursuant to the exercise of warrants.



MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2006

FJORDLAND EXPLORATION INC.

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Description of Business

Fjordland Exploration Inc. ("the Company") is an exploration stage company engaged in the acquisition and exploration of prospective gold, uranium and base metal properties primarily in Canada. The Company is currently focusing its exploration activities on a copper - gold project in British Columbia and on a uranium and copper property in the Yukon. The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange under the symbol FEX. The following discussion and analysis of the financial position and results of operations for the Company speaks only as to April 5, 2007 (the "Report Date") and should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2006.

Additional information relating to the Company can be found on SEDAR www.sedar.com.

Forward-Looking Statements

Certain statements contained in Management's Discussion and Analysis (MD&A) constitutes forward-looking statements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set out below.

Significant Events, Transactions and Activities on Mineral Properties

In order to more fully understand Fjordland's financial results, it is important that the reader gain an appreciation for the significant events, transactions and activities on mineral properties, which occurred during the year ended December 31, 2006 and to the date of this MD&A.

U.S.A. Properties

Wheeler Peak and Star City, California

The Company had an option to acquire a 100% interest in the Wheeler Peak and Star City properties, located in the Walker Lane Mineral Belt of Nevada-California.

The Company received permits from the US Forest Service to drill on the properties; drilling commenced on September 26, 2006.

One hole was drilled at Wheeler Peak and as there was no significant mineralization the Company relinquished its acquisition option on both the Wheeler Peak and Star City properties.

Blackrock, Nevada

The Company had an option to acquire a 100% interest in the Blackrock property, located in the Walker Lane Mineral Belt of Nevada-California.

The Company has decided to relinquish its acquisition option on this property to allow the Company to focus on its Canadian properties.

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Canada

Woodjam, British Columbia

In 2001, the Company was granted an option to acquire a 60% interest in mining claims in central British Columbia. The option agreement was amended on October 24, 2003 and on September 21, 2005.

The Company conducted drilling programs in each year from 2002 to 2005 primarily on the Megabuck Zone.

The best results from the 2004 program were from hole 04-32 which returned 378 meters (1,240 feet) grading 0.81 g/t gold and 0.12% copper, and hole 04-37 (drilled perpendicular to 04-32) that intersected 397 meters (1,304 feet) grading 0.82 g/t gold and 0.12% copper.

The fall 2005 drill program at Megabuck zone continued to expand the porphyry gold-copper zone. Highlights from drilling include diamond drill hole 05-43 that intersected 1.00 g/t gold and 0.22% copper over 91.7 meters, and hole 05-47 that assayed 0.53 g/t gold and 0.11% copper over 445 meters (1,460 feet).

In fiscal 2006, the Company completed the terms of the option agreement and vested a 60% interest in the Woodjam property from Wildrose Resources Ltd. During the year, Wildrose transferred their interest to Cariboo Rose Resources Ltd.

In April 2006, the first phase of the 2006 drill program was completed. The program consisted of 2,578 meters of diamond drilling in 7 holes on the Megabuck zone.

The results are as follows:

2006 Phase I Drill Results – Megabuck Zone

Drill Hole	From (meters)	To (meters)	Interval (meters)	Gold (g/t)	Copper (%)
06-49	358	397	150	0.19	0.10
06-50	88	198	110	0.08	0.03
06-51	168	376	208	0.55	0.12
including	237	330.6	93.6	0.95	0.19
06-52	164	445	281	0.26	0.06
including	329	390	61	0.66	0.15
06-53	33.5	325.2	290.7	0.41	0.07
Including	169	197	28	1.52	0.24
06-54	6.1	230.7	224.6	0.33	0.05
06-55*	107	235.3	128.3	0.24	0.06
including	170	235.3	65.3	0.39	0.09

* The bottom sample of hole 06-55 graded 1.3 g/t gold and 0.20% copper over 1.3 meters. The hole was terminated in mineralization due to bad ground conditions.

The results of Fjordland's first phase 2006 drilling program at Woodjam were reviewed, compiled and verified by the Company's geologists including John Peters, P.Geol., the qualified person as defined by National Instrument 43-101. Global Discovery Labs and Acme Analytical Laboratories of Vancouver, BC, both ISO accredited laboratories, completed the analyses.

The Company completed flow-through financing on January 5, 2006 and February 7, 2006 for gross proceeds of \$143,000 and \$294,000 respectively. The proceeds from these financings are being used for exploration expenses on the Woodjam property.

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Woodjam, British Columbia (Continued)

Effective March 29, 2006, the Company entered into a joint venture agreement with Cariboo Rose Resources Ltd. to fund future exploration and development expenditures on a Fjordland 60% - Cariboo Rose 40% basis. The Company remains operator of the project.

In May 2006, the Woodjam joint venture partners staked an additional 22,147 hectares of mineral claims adjacent to, and in the vicinity of, the Woodjam property.

In August 2006, the second phase of the 2006 drill program was completed. The program consisted of 5,078 meters of diamond drilling in 15 holes, of which 14 vertical holes were drilled in the Megabuck area and one hole to test the Megabuck East anomaly. Additionally, a further single hole test of the Takom Zone was undertaken.

The results are as follows:

2006 Phase II Drill Results – Megabuck Zone

Drill Hole	From (meters)	To (meters)	Interval (meters)	Gold (g/t)	Copper (%)
06-56	No significant mineralization encountered				
06-57	311.8	460.0	148.2	0.46	0.06
Including	311.8	378.0	66.2	0.75	0.16
06-58	No significant mineralization encountered				
06-95	No significant mineralization encountered				
06-60	358.6	441.0	55.4	0.31	0.06
Including	423.0	441.0	18.0	0.50	0.10
06-61	159.7	308.0	148.3	0.35	0.09
Including	168.0	211.9	43.9	0.52	0.09
06-62	9.1	161.5	152.4	0.43	0.06
06-63	No significant mineralization encountered				
06-64	173.8	312.0	138.2	0.32	0.06
06-65	9.8	122.0	112.2	0.46	0.05
06-66	23.2	166.5	143.3	0.14	0.03
06-67	No significant mineralization encountered				
06-68	No significant mineralization encountered				
06-69	179.0	329.0	154.0	0.08	0.03
Including	238.4	240.1	1.7	4.03	0.12

The results of Fjordland's second phase 2006 drilling program at Woodjam were reviewed, compiled and verified by the Company's geologists including John Peters, P. Geo., the qualified person as defined by National Instrument 43-101. Acme Analytical Laboratories of Vancouver, BC, an ISO accredited laboratories, analyzed the samples by multi-element ICP-ES and fire geochemical methods with ICP analyses (3B) for gold.

In November 2006, the third phase of the 2006 drill program was completed. The program consisted of 526 meters of diamond drilling in one hole in the Takom Zone. Hole 06-71 intersected 464 meters grading 0.03 g/t gold and 0.06% copper, including 300 meters grading 0.04 g/t and 0.07% copper and including 31 meters grading 0.16 g/t gold and 0.18% copper.

Following completion of a property assessment, the Company and partner Cariboo Rose Resources Ltd. have decided to undertake an extensive induced polarization geophysical survey over most of the previously untested portions of the property in 2007.

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Olympic-Rob, Yukon

By an agreement dated July 27, 2006, the Company was granted an option to acquire a 60% interest in the Olympic-Rob project in Yukon, Canada by Commander Resources Ltd. ("Commander"), a company with a director in common.

Under the terms of the agreement, Fjordland may earn an initial 60% interest in the property by paying Commander \$250,000, issuing 1,600,000 shares of Fjordland in stages until December 31, 2009, and incurring exploration expenditures on the property totaling \$7,000,000 over a five year period ending December 31, 2011. Of this, \$50,000 and 350,000 shares were payable to Commander upon receipt of regulatory approval (paid and issued) and Fjordland must incur \$600,000 in exploration expenditures by December 31, 2007, including a minimum of 2,000 meters of drilling.

Once the Company has earned a 60% interest, a joint venture may be formed or, within 60 days of vesting, the Company may elect to earn an additional 20% interest, for a total of 80%, by issuing either 1,000,000 shares or a payment of \$3,000,000 at the optionor's election, and by carrying all further costs through to completion of a bankable feasibility study and a final payment of \$7,000,000. If an 80:20 joint venture is formed, the optionor may at any time elect to convert its 20% interest to a 2% net smelter return ("NSR") subject to a buy down provision of 1% for a \$10,000,000 cash payment. Should the Company elect not to earn the additional 20%, then the optionor may elect to earn back a 20% interest for the next \$3,000,000 in expenditures such that it will then hold a 60% interest and the Company will hold a 40% interest.

The Company plans to drill the property in mid 2007.

Selected Annual Information

Selected annual information from the audited financial statements for the years ended December 31, 2006, 2005 and 2004 is summarized in the table below.

	2006 (\$)	2005 (\$)	2004 (\$)
Total revenues	Nil	Nil	Nil
General and administration expenses	489,628	599,218	563,494
Loss for the year	(631,640)	(687,931)	(888,271)
Basic and diluted loss per share	(0.02)	(0.02)	(0.04)
Working capital	1,273,151	177,228	329,514
Total assets	4,017,339	1,854,522	1,538,081
Total shareholders' equity (deficiency)	3,831,188	1,819,013	1,511,541
Cash dividends per share	Nil	Nil	Nil
Number of shares issued and outstanding	45,522,020	34,725,220	30,767,570

Results of Operations

The Company's operations during the year ended December 31, 2006 produced a net loss of (\$631,640) or (\$0.02) per share compared to a net loss of (\$687,931) or (\$0.02) per share for 2005 and a net loss of (\$888,271) or (\$0.04) per share for 2004.

1. Total stock-based compensation on options granted, and which were vested during the year ended December 31, 2006, resulted in \$165,305 (2005 - \$306,125) being expensed. Stock-based compensation is a non-cash item.
2. Accounting and audit expenditures were \$65,914 (2005 - \$55,724); an increase of \$10,190 resulting from an increase in exploration activities, financial activities and reporting requirements.

FJORDLAND EXPLORATION INC.

Management Discussion and Analysis For the Year Ended December 31, 2006

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3. Investor relations and promotion expense was \$50,373 (2005 - \$69,849). A breakdown of investor relations and promotion expenses is provided below:

Administration	\$	2,944
Conferences		9,939
Consulting		29,850
Promotion		4,792
Media		2,848
	\$	<u>50,373</u>

On February 1, 2007 an amended consulting agreement was signed increasing the monthly consulting fees to \$3,000.

4. Future income tax recovery of \$185,442 was recorded due to the renouncement of flow-through shares.
5. Consulting fees of \$82,760 (2005 - \$34,750) represent an increase of \$48,010 from 2005. Consulting fees of \$6,000 monthly are allocated as to time spent on exploration projects and administration, resulting in a fluctuation of consulting fees expensed. Included in these fees is a bonus of \$46,010.

Exploration Expenditures

At December 31, 2006, expenditures made on mineral properties by the Company are as follows:

	Woodjam B.C.	Olympic-Rob Yukon	Blackrock Nevada	Star/ Wheeler California	Other	Total
Balance, December 31, 2005	\$1,381,659	\$ -	\$74,687	\$155,995	\$9,274	\$1,621,615
Additions during year:						
Acquisition costs	90,705	142,625	-	-	-	233,330
Exploration costs:						
Operator fees	(12,074)	-	-	-	-	(12,074)
Property	4,415	2,415	-	-	-	6,830
Geology	82,360	16,142	169	3,738	-	102,409
Drilling	1,266,501	-	-	92,095	-	1,358,596
Environmental	-	-	-	440	-	440
Permitting	182	-	1,809	8,834	-	10,825
	1,341,384	18,557	1,978	105,107	-	1,467,026
Additions during year	1,432,089	161,182	1,978	105,107	-	1,700,356
Joint Venture recoveries	(450,973)	-	-	-	-	(450,973)
Write-offs	-	-	(76,665)	(261,102)	(9,274)	(347,041)
Balance, December 31, 2006	\$2,362,775	\$161,182	\$ -	\$ -	\$ -	\$2,523,957

Exploration expenditures during the year ended December 31, 2006 were \$1,700,356 (2005 - \$565,380), which consisted of \$233,330 (2005 - \$44,163) in acquisition costs and \$1,467,026 (2005 - \$521,217) in exploration costs. During the year, the Company incurred cash option payments of \$130,000 (2005 - \$25,000), issued 350,000 shares (2005 - 125,000) valued at \$77,000 (2005 - \$18,750) and cost recoveries of \$450,973 (2005 - \$9,706).

During the year ended December 31, 2006, the Company wrote down \$347,041 (2005 - \$94,830) in acquisition and exploration costs.

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Summary of Quarterly Results

Results for the eight most recent quarters ending with the last quarter for the three months ending on December 31, 2006 are summarized in the table below.

Financial Data for Last Eight Quarters								
Three months ended	Dec-06	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05	Jun-05	Mar-05
Total revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
General and administration	(175,875)	(142,647)	(81,431)	(89,675)	(195,215)	(186,346)	(65,902)	(151,755)
Income (loss) for the period	(512,899)	(138,458)	(77,886)	97,603	(193,940)	(277,503)	(65,240)	(151,248)
Basic earnings (loss) per share	(0.02)	(0.01)	(0.01)	0.01	(0.02)	(0.01)	(0.01)	(0.01)
Diluted earning (loss) per share	(0.02)	(0.01)	(0.01)	0.01	(0.02)	(0.01)	(0.01)	(0.01)
Total Assets	4,017,339	3,621,319	3,344,566	2,344,151	1,854,522	1,626,209	1,778,060	1,469,571
Exploration Expenditures	362,160	838,056	110,534	389,606	268,904	153,425	100,737	42,314

Quarterly results can vary significantly depending on whether the Company realizes any gain on sale of its investments, abandons any properties or grants any stock options. See "Financial Results of Operations" and "Exploration Expenditures".

Liquidity and Capital Resources

The Company has financed its operations through the sale of its equity securities. The Company has no producing mineral properties. The Company expects to obtain financing in the future primarily through equity financing. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interests in its properties.

As at December 31, 2006, the Company had a cash position of \$1,434,385 and working capital of \$1,273,151, compared to cash of \$182,801 and working capital of \$177,228 at December 31, 2005. 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.

Financing Activities

On March 5, 2004, the Company completed a Short Form Offering for the issue of 3,000,000 units at \$0.25 per unit with proceeds of \$635,003, net of issue costs in the amount of \$114,997. Total funds of \$45,558 were spent in 2006 (2005 - \$436,048). Under the use of proceeds the Company allocated a total of \$480,675 to fund exploration work on the following Nevada properties:

	Allocated	Spent
Ashby	\$ 90,155	\$ 232,918
Bald Peak	195,130	47,535
Wheeler	112,840	135,567
Star City	82,550	65,586
Total	\$ 480,675	\$ 481,606

On January 5, 2006, the Company completed a non-brokered flow-through private placement for the issue of 715,000 units at \$0.20 per unit with proceeds of \$143,000. Under the use of proceeds, the Company allocated a total of \$143,000 to fund exploration work on the Woodjam property.

On February 7, 2006, the Company completed a non-brokered private placement for the issue of 840,000 non flow-through units at \$0.15 per unit and 840,000 flow-through units at a \$0.20 per unit with proceeds of \$291,780, net issue costs in the amount of \$2,220. Under the use of proceeds, the Company allocated a total of \$168,000 to fund exploration work on the Woodjam property.

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On May 31, 2006, the Company completed a non-brokered private placement for the issue of 1,050,000 units at \$0.40 per unit with proceeds of \$416,789, net issue costs in the amount of \$3,211. Proceeds from this financing will be used for general working capital.

On July 4, 2006, the Company completed a non-brokered private placement for the issue of 45,000 units at \$0.40 per unit with proceeds of \$17,796, net issue costs in the amount of \$204. Proceeds from this financing will be used for general working capital.

On December 27, 2006, the Company completed a non-brokered private placement for the issue of 1,652,000 non flow-through units at \$0.20 per unit and 1,530,000 flow-through units at a \$0.25 per unit with proceeds of \$708,837, net issue costs in the amount of \$4,163. Proceeds from this financing will be used for general working capital, and to finance the Company's exploration projects in Canada

During the year ended December 31, 2006, the Company issued 50,000 common shares for proceeds of \$5,000 pursuant to the exercise of stock options and 3,532,500 common shares for proceeds of \$1,059,750 pursuant to the exercise of warrants.

Outstanding Share Data

	No. of Shares	Exercise Price	Expiry Date
Issued and Outstanding at April 5, 2007	45,940,520		
Stock Options	4,867,500	\$0.10 to \$0.37	Jul15/07 to Dec 20/11
Warrants	2,818,750	\$0.25 to \$0.50	May 31/07 to Dec 27/07
Fully diluted April 5, 2007	53,626,770		

Investing Activities

The Company spent \$1,700,356 on acquisition, exploration and development during the year ended December 31, 2006, (\$565,380 during the year ended December 31, 2005), including \$77,000 of acquisition costs by way of the issue of shares pursuant to a property agreement. Expenditures included \$107,085 spent on the U.S. Properties, \$1,432,089 spent on the Woodjam Property in BC and \$161,182 spent on the Olympic-Rob Property in the Yukon.

The Company has decided to relinquish its options on the Blackrock, Star and Wheeler properties in Nevada and has written off \$347,041 of acquisition and exploration costs.

Related Party Transactions

Transactions and balances with related parties are as follows:

- (a) The Company incurred administrative and geological consulting fees of \$114,010 (2005 - \$60,000) charged by a director. The Company also incurred accounting fees of \$38,787 (2005 - \$28,810) charged by a relative of a director.
- (b) The Company paid legal fees of \$Nil (2005 - \$2,875) to a law firm of which a former officer of the Company was a principal.
- (c) Due to related parties is an aggregate of \$46,600 (2005 - \$606) which consists of a bonus payable recorded as consulting fees to a director and various shared office administration costs.

Risk Factors

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Industry

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those, which could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Metal Prices

The principal activity of the Company is the exploration and development of resource metal properties. The feasible development of such properties is highly dependent upon the price of metals. A sustained and substantial decline in commodity prices could result in the write-down, termination of exploration and development work or loss of the Company's interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect commodity prices in order to assess the feasibility of its resource projects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Disclosure and Internal Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD & A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Management is also responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Outlook

Fjordland will continue to seek out and review projects that exhibit potential to host large ore bodies of 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

Richard C. Atkinson, P.Eng.
Chairman and Director

Victor A. Tanaka, P.Geo.
President and Director

G. Ross McDonald, C.A.
Chief Financial Officer and Director

Peter Krag-Hansen
Director

Janice Davies
Corporate Secretary

EXECUTIVE OFFICE

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LEGAL COUNSEL AND REGISTERED OFFICE

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REGISTRAR AND TRANSFER AGENT

Pacific Corporate Trust
3rd Floor, 510 Burrard Street
Vancouver, British Columbia V6C 3B9

SHARE LISTING

TSX Venture Exchange
Symbol: FEX

CAPITALIZATION AT DECEMBER 31, 2006

Shares Authorized: Unlimited
Shares Issued and Outstanding: 45,522,020

