

FM Resources Corp.**FORM 51-102F1**

Management's Discussion and Analysis

December 31, 2005

As used in this management's discussion and analysis ("**MD&A**"), the terms "we", "us", "our" and "FM" mean FM Resources Corp. unless the context clearly requires otherwise.

The following MD&A was prepared on April 24, 2006, by our management. It should be reviewed together with our audited consolidated Financial Statements for the year ended December 31, 2005.

Unless otherwise noted, all dollar amounts are expressed in Canadian ("**Cdn**") dollars and references to common shares are to common shares in the capital of our company unless the context clearly requires otherwise.

Forward-Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements are statements that relate to future events or to our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks specifically identified in the section of this MD&A entitled "Risk Factors" beginning on page 8, and those that are inherent to the business of mineral exploration.

These risks may cause our actual results or the actual results in our industry, or our levels of activity, performance or achievement, to be materially different from any projected future results, levels of activity, performance or achievements that are expressed or implied in these forward-looking statements.

These forward-looking statements are based on the estimates and opinions of our management at the time they are made. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, we do not intend to update any of the forward-looking statements in this MD&A to conform these statements to actual results.

Overall Performance

FM Resources Corp. is a Vancouver based junior natural resource company historically focused on mineral exploration. Our principal mineral exploration properties are our La Forma, Antoniuk, and Ant gold properties (the "Yukon Properties") located in the Dawson Range of west-central Yukon.

Our Yukon properties are located in central Yukon 66 km west of Carmacks and 220 km northwest of Whitehorse and comprise contiguous quartz mining leases and quartz mineral claims encompassing roughly 1,130 hectares (2,785 acres).

Exploration on the Yukon properties has been limited to property maintenance level activities due to low working capital. We have not generated any income from our Yukon properties.

On January 20, 2006, the Company closed a transaction to acquire all of the issued and outstanding shares of Strikewell Capital Corp. ("Strikewell"). The transaction is effective as of January 1, 2006 and Strikewell is now a wholly-owned subsidiary of FM. Strikewell owns a producing petroleum and natural gas property near Garrington, Alberta.

Selected Annual Information

The following table contains a summary of our financial results for the years ended December 31, 2005, 2004 and 2003. The data in the following table is derived from our audited Financial Statements at December 31, 2005, which were prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"):

Years ended December 31 (Cdn \$)	2005	2004	2003
Net Loss	(\$441,042)	(\$361,264)	(\$317,973)
Basic loss per Share	(\$0.18)	(\$0.15)	(\$0.13)
Diluted loss per Share	(\$0.18)	(\$0.15)	(\$0.13)
Total Assets	\$3,081	\$7,024	\$26,580
Total Long-term Financial Liabilities	\$Nil	\$Nil	\$Nil

Results of Operations

Twelve-month period ended December 31, 2005 compared to the twelve-month period ended December 31, 2004

Our net loss for the year was \$441,042 compared to a net loss of \$361,264 for 2004. The increase in net loss was primarily due to the increase in expenses relating to interest, which increased to \$288,123 from \$223,728 in 2004. Filing and transfer agent fees increased to \$15,732 from \$7,781 and professional fees increased to \$34,274 from \$11,082. Other expense items remained relatively stable from the previous period.

Current liabilities at the end of the twelve-month period comprising accounts payable, accrued liabilities and loans payable totaled \$2,863,187 compared with \$2,426,088 for the same period the year prior.

Summary of Quarterly Results

The following table presents selected unaudited consolidated financial information for the last eight quarters:

Period ended	2005				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Loss	(\$93,582)	(\$198,527)	(\$309,795)	(\$441,042)	(\$76,556)	(\$166,852)	(\$250,778)	(\$361,264)
Basic loss per Share	(\$0.04)	(\$0.08)	(\$0.13)	(\$0.18)	(\$0.03)	(\$0.07)	(\$0.10)	(\$0.15)
Diluted loss per Share	(\$0.04)	(\$0.08)	(\$0.13)	(\$0.18)	(\$0.03)	(\$0.07)	(\$0.10)	(\$0.15)

Liquidity

At December 31, 2005, we had \$3,080 in current assets compared with \$7,023 for the same period the prior year. Current liabilities at December 31, 2005 comprising accounts payable, accrued liabilities and loans totaled \$2,863,187 compared with \$2,426,088 for the same period the prior year. Our continued operations and ability to realize our assets and to discharge our liabilities in the normal course of business are dependent upon the continued financial support of our creditors.

There is substantial doubt about our ability to continue as a "going concern" as the continuation of FM's business is dependent upon obtaining further financing, successful property acquisition and exploration efforts, and, finally, achieving a profitable level of operations. The issuance of additional equity securities or of debt securities convertible into equity by FM could result in a significant dilution in the equity interests our company's current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liability and future cash commitments.

There are no assurances that we will be able to obtain further funds as may be required for our continued operations. If required, we will pursue various financing alternatives to meet our immediate and long-term financial requirements, which we anticipate may consist of further private placements of equity securities, advances from related parties or shareholder loans. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be forced to scale down or perhaps even cease operations.

We have historically incurred losses, and through December 31, 2005 we have a deficit of \$18,591,104. FM has entered into a binding letter agreement with John Hislop to acquire all of the issued and outstanding shares of Strikewell Capital

Corp. which owns a producing oil and gas property. Further information on this transaction can be found under the heading "Proposed Transaction" below.

There are no assurances that we will be able to either (1) achieve a level of revenue adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations and any private placement, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to us. If adequate working capital is not available we may not be able to maintain our operations. These conditions raise substantial doubt about our ability to continue as a going concern.

Capital Resources

FM has no current source of significant revenue. We have commitments for expenditures as a result of our accounts payable and outstanding loans payable noted above. The future of our company as a "going concern" is highly dependent on our ability to attract new long-term and permanent equity financing, to complete the development of a mineral property, to have the continued support of creditors and shareholders, and ultimately to reach a profitable level of operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Transactions with Related Parties

The aggregate amount of transactions made with related parties not at arms length to FM consist of the following:

- Included in accounts payable, accrued liabilities and loans payable is the amount of \$10,640 representing funds due to directors of FM and to a private company controlled by a director of our company.

Fourth Quarter

Three-month period ended December 31, 2005 compared to the three-month period ended December 31, 2004

Our net loss for the three-month period was \$131,247 compared to a net loss of \$110,486 for the same period in the prior year. The increase in net loss was primarily due to the increase in expenses relating to interest, which increased to \$78,919 for the period from \$61,853 for the same period in the prior year. Professional fees increased to \$21,201 from \$5,556 for the same period in the prior year and filing fees increased to \$7,594 from \$663 for the same period in the prior year. Other expense items remained relatively stable from the previous period.

Proposed Transaction and Subsequent Events

On September 12, 2005, FM entered into a binding letter agreement (the "**Letter Agreement**") with John Hislop (the "**Vendor**") to acquire all of the issued and outstanding shares of Strikewell Capital Corp. a private Alberta Corporation.

On September 25, 2005, FM and the Vendor entered into a First Amending Agreement to the binding Letter Agreement dated September 12, 2005. Pursuant to the First Amending Agreement, each party confirmed satisfactory completion of its due diligence review. The First Amending Agreement also extended the deadline for entering into a formal Share Purchase Agreement from September 25, 2005 to October 21, 2005, the deadline for obtaining all necessary regulatory and corporate approvals from September 29, 2005 to December 15, 2005 and the scheduled completion date from September 30, 2005 to December 20, 2005 or such other date as the parties may agree to. All other terms of the original Letter Agreement remain in full force and effect and are outlined below.

On December 20, 2005, FM and the Vendor entered into a Second Amending Agreement which extended all of the dates to January 20, 2006 or, in the case of the closing date, such other date as the parties may agree in writing. The extensions of the Second Amending Agreement were agreed upon in order to give the parties the necessary time to finalize the documentation required for closing the transaction and for regulatory approval. All other terms of the original Letter Agreement remain in full force and effect and are outlined below.

Strikewell owns a producing petroleum and natural gas property near Garrington, Alberta. According to a report entitled "Economic Evaluation of the Reserves of Strikewell Capital Corp., Garrington Area, Alberta, Canada" prepared by Henderson & Associates Petroleum Consultants Ltd., an independent petroleum engineering consulting firm on August 29, 2005, the total proved oil is 54 thousand barrels and the total proved gas is 209 million cubic feet.

Under the original Letter Agreement, as amended, the purchase price for the shares of Strikewell is \$5,500,000 payable by FM by the issuance to the Vendor of

2,000,000 voting common shares in the capital of FM at an issue price equal to \$0.40 for a total consideration of \$800,000 and the issuance of a promissory note payable to the vendor in the principal amount of \$4,700,000. As part of the transaction, another approximately \$1,800,000 of current debt will be restructured and added to the promissory note (the "**Note**"), substantially reducing current interest payments on current outstanding debt. The principal owing under the Note is due for repayment on the ninth anniversary of the issuance of the Note and bears interest at 2% for years one and two, 3% for years three and four, 4% for year five and 15% for years six through eight, compounded and payable semi-annually. The Vendor may demand repayment of all or part of the Note at any time once three years have elapsed from the issue date of the Note. The Note will be secured against all of FM's assets.

The Vendor is an arm's length party to FM and no finder's fee is payable in connection with this transaction.

On October 7, 2005 FM received conditional acceptance from the TSX Venture Exchange regarding the acquisition of Strikewell with final acceptance of the transaction conditional upon the FM satisfying requisite filing requirements. The transaction does not constitute a reverse takeover under the policies of the TSX Venture Exchange and an extraordinary general meeting seeking shareholder approval of the transaction will not be required.

Management believes that the acquisition of Strikewell will improve the financial condition of FM by providing revenues to FM and provide a means to service existing debt and new debt related to the transaction. FM intends to participate in further exploration and development activities at the Garrington property. These activities, if undertaken, will be capital intensive in nature and may create a negative working capital position from time to time. FM intends to fund its capital expenditure programs from internally generated cash flow, debt, and if required, issuance of new equity.

Risks inherent to the oil and gas business are significant and include operational risks related to finding and developing oil and natural gas properties. Oil and gas reserves estimates and future projected revenues may be subject to downward or upward revisions based upon production history, results of exploration and development, prevailing oil and gas prices and other factors, many of which are beyond our control. Actual production, revenues, taxes, development expenditures and operating expenses with respect to the reserves may vary from the estimates and such variances may be material. The marketability of oil and gas that we may acquire or discover could be affected by numerous factors beyond our control. These factors include the proximity and capacity of oil and gas pipelines and processing equipment, market fluctuations of prices, taxes, royalties, allowable production, adverse weather conditions and environmental protection. The extent of these factors cannot be accurately predicted and the combination of these factors may result in FM not receiving an adequate return on invested capital.

On January 20, 2006, the Company closed the transaction to acquire all of the issued and outstanding shares of Strikewell. The transaction is effective as of January 1, 2006 and Strikewell is now a wholly-owned subsidiary of FM.

The purchase price for the shares of Strikewell was \$2,886,399.78 paid by the Company by the issuance to Mr. Hislop of 2,000,000 voting common shares in the capital of the Company at an issue price equal to \$0.40 for a total consideration of \$800,000 and the issuance of a promissory note (the "**Vendor Note**") payable to the Vendor in the principal amount of \$2,086,399.78.

In addition, the Company assumed the payment obligation under debt owed by Strikewell to the Vendor in the amount of \$628,895.16, which was added to the principal owing under the Vendor Note. As part of the transaction, the Company also restructured \$1,832,149.19 of current debt owed by the Company to a company (the "**Vendor Company**") owned by the Vendor by entering into a second promissory note (the "**Second Note**") on the same payment terms as the Vendor Note. The Second Note is payable by the Company to the Vendor Company and replaces the previous payment obligations under the debt owed by Strikewell to the Vendor Company in the amount of \$1,984,705.06, which was added to the principal owing under the Second Note. The principal owing under the Vendor Note and the Second Note is due for repayment on the ninth anniversary of issuance of the Notes and bears interest at 2% for years one and two, 3% for years three and four, 4% for year five and 15% for years six through eight, compounded and payable semi-annually. Both the Vendor Note and the Second Note are secured against all of the assets of the Company.

Also on January 20, 2006, Mr. Chris Schultze was appointed as President, Secretary and Director of Strikewell following the resignation of Mr. Hislop.

As a result of the completion of the acquisition of Strikewell, the Company had met the requirements to be reinstated as a TSX Venture Exchange Tier 2 Issuer. Effective at the commencement of trading on January 24, 2006, the Company's listing was transferred from the NEX to Tier 2 of the TSX Venture Exchange and the trading symbol was changed from FMR.H to FMR.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates. See Note 2 to the Financial Statements for our Significant Accounting Policies.

Changes in Accounting Policies including Initial Adoption

We have not adopted any changes in our accounting policies.

Financial Instruments and Other Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial

instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and certain accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments. It was not practicable to determine the fair value of certain other accounts payable and accrued liabilities and loans payable as there is no active liquid market for similar debt.

Risk Factors

An investment in our shares involves a number of significant risk factors. **Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on our business and/or the return to shareholders.**

Investment Risk

Speculative Nature of Investment

Any investment in FM's shares should be considered speculative. The purchase of shares involves a number of significant risk factors and is suitable only for investors who are aware of the risks inherent in junior companies engaged in the mineral exploration industry and who have the ability and willingness to accept the risk of the total loss of their invested capital and who have no immediate need for liquidity.

Return on Investment

There is no assurance that sufficient earnings will be generated by FM from which dividends can be declared.

Company Risks

Financing Risks

The development of FM's properties will depend upon our ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that we will be successful in obtaining any required financing.

Cash Flow

At December 31, 2005 FM had no source of operating cash flow. Failure to obtain additional financing could result in delay or indefinite postponement of future exploration or development. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties. **FM will require new capital to continue to operate its business and to continue exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all.**

Conflicts of Interest

Certain directors and officers of the Company serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which FM may participate, our directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of FM's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of FM are required to act honestly, in good faith and in the best interests of our company. In determining whether or not FM will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which FM may be exposed and its financial position at that time.

Industry Risks***Exploration and Development Risks***

The business of exploring for minerals and mining involves a high degree of risk. There is no assurance the FM's mineral exploration activities will be successful. Few properties that are explored are ultimately developed into producing mines. At present, none of our properties has a known body of commercial ore and the proposed exploration program is an exploratory search for ore. In exploring and developing our mineral deposits we will be subjected to an array of complex economic factors and technical considerations. Delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in exploring and developing properties. Such delays could materially adversely affect our financial performance. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, the discharge of toxic chemicals and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. FM has limited experience in the development and operation of mines and in the construction of facilities required to bring mines into production. We have relied and may continue to rely upon consultants and others for operating expertise. Depending on the price of minerals produced, we may determine that it is impractical to commence or continue commercial production.

Title Matters

The mining claims in which FM has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and are,

accordingly, subject to annual compliance with assessment work requirement. Other parties may dispute FM's title to its mining properties. While we have diligently investigated title to all mineral claims and, to the best of our knowledge, title to all properties is in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. FM competes with other mining companies, many of which have greater financial resources for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Mineral Prices

The market price of precious metals and other minerals is volatile and cannot be controlled. If the price of precious metals and other minerals should drop significantly, the economic prospects of the projects which FM has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond the control of our company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond our control, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

Environmental and Other Regulatory Requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in FM's activities, the extent of which cannot be predicted. Before production can commence on any properties we must obtain regulatory approval and there is no assurance that such approvals will be obtained. Although we believe our mineral and exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Uninsured Risks

FM may become subject to liability for cave-ins, pollution or other hazards against which we cannot insure or against which we may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities. We may become subject to liability for hazards which we cannot insure against or which we may elect not to insure against because of high premium costs or other reasons. In particular, FM is not insured for environmental liability or earthquake damage.

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which FM has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base metals, any of which could result in work stoppages, damage to property, and possible environmental damage. We currently do not maintain liability insurance against such liabilities. Although we currently intend to obtain insurance when we commence operations of reasonable significance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or FM might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event we could incur significant costs that could have a materially adverse effect upon its financial condition.

Disclosure for venture issuer without significant revenue

FM has not had significant revenue from operations in either of its last two financial years. Direct expenses incurred on the properties of approximately \$5,000 annually are not capitalized or deferred.

Outstanding Share Data

Our common shares are listed for trading on the TSX Venture Exchange under the symbol FMR.

As at December 31, 2005

Class of Shares	Par Value	Number Authorized	Number Issued
Common	Nil	Unlimited	2,397,216
Class A Preference	Nil	Unlimited	Nil

There are no options, warrants or convertibles securities outstanding and an aggregate total of 1,123 common shares are held in escrow.

As at the date of the MD&A

Class of Shares	Par Value	Number Authorized	Number Issued
Common	Nil	Unlimited	4,397,216
Class A Preference	Nil	Unlimited	Nil

There are no options, warrants or convertibles securities outstanding and an aggregate total of 1,123 common shares are held in escrow.

Additional Information

Additional information relating to our company, including periodic quarterly and audited financial reports are available on SEDAR at www.sedar.com. We also maintain a web site at www.fm-resources.bc.ca.