STRIKEWELL ENERGY CORP.
(Formerly FM Resources Corp.)

Consolidated Financial Statements
December 31, 2006 and 2005

SmytheRatcliffe
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO THE SHAREHOLDERS OF STRIKEWELL ENERGY CORP.
(Formerly FM Resources Corp.)

We have audited the consolidated balance sheets of Strikewell Energy Corp. (Formerly FM Resources Corp.) as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years 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 audits.

We conducted our audits 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 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

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May 11, 2007

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STRIKEWELL ENERGY CORP.
(Formerly FM Resources Corp.)
Consolidated Balance Sheets
December 31

		2006		2005
Assets (note 8)				
Current				
Cash	$	350,851	$	40
Accounts receivable		211,017		3,040
Prepaid expenses		447		0
		562,315		3,080
Mineral Property (note 5)		1		1
Petroleum and Natural Gas Interests (note 6)		2,074,030		0
	$	2,636,346	$	3,081
Liabilities				
Current				
Accounts payable and accrued liabilities	$	410,132	$	1,778,763
Current portion of loans payable (note 7)		0		218,500
		410,132		1,997,263
Loans Payable (note 7)		916,694		865,924
Notes Payable (note 8)		4,991,427		0
Asset Retirement Obligations (note 9)		198,900		0
		6,517,153		2,863,187
Shareholders' Deficit				
Capital Stock (note 10)		16,221,855		15,425,998
Contributed Surplus (note 11)		309,143		305,000
Deficit		(20,411,805)		(18,591,104)
		(3,880,807)		(2,860,106)
	$	2,636,346	$	3,081

Nature of Operations (note 1)
Purchase of Strikewell Capital Corp. (note 4)
Contingent Asset (note 14)
Subsequent Event (note 15)

Approved by the Board:

"Chris Schultze"
…………………………………………………………………
Chris Schultze, Director

"Luard Manning"
…………………………………………………………………
Luard Manning, Director

See notes to consolidated financial statements.

STRIKEWELL ENERGY CORP.
(Formerly FM Resources Corp.)
Consolidated Statements of Operations and Deficit
Years Ended December 31

	2006	2005
Revenue		
Petroleum and natural gas	$ 1,777,110	$ 0
Direct Expenses		
Production	812,238	0
Royalties	327,154	0
Depletion and accretion	1,526,959	0
	2,666,351	0
	(889,241)	0
Administrative Expenses		
Interest	608,780	288,123
Professional fees	118,311	34,274
Administration fees	90,000	72,000
Bad debts	56,738	0
Office and miscellaneous	24,215	24,913
Filing and transfer agent fees	15,416	15,732
Directors' fees	12,000	0
Rent	6,000	6,000
	931,460	441,042
Loss for Year	(1,820,701)	(441,042)
Deficit, Beginning of Year	(18,591,104)	(18,150,062)
Deficit, End of Year	$ (20,411,805)	$ (18,591,104)
Loss Per Share	$ (0.41)	$ (0.18)
Weighted Average Number of Common Shares Outstanding	4,396,964	2,397,216

See notes to consolidated financial statements.

STRIKEWELL ENERGY CORP.
(Formerly FM Resources Corp.)
Consolidated Statements of Cash Flows
Years Ended December 31

	2006	2005
Operating Activities		
Loss for year	$ (1,820,701)	$ (441,042)
Items not involving cash		
Depletion and accretion	1,526,959	0
Accretion of discount on notes payable	429,314	0
	135,572	(441,042)
Changes in non-cash working capital		
Accounts receivable	61,330	(1,389)
Prepaid expenses	(447)	0
Accounts payable and accrued liabilities	130,024	396,199
	190,907	394,810
Cash Provided by (Used in) Operating Activities	326,479	(46,232)
Investing Activity		
Petroleum and natural gas interests	(40,686)	0
Financing Activity		
Increase in loans payable	46,270	40,900
Inflow (Outflow) of Cash	332,063	(5,332)
Net Cash Acquired on the Acquisition of Subsidiary	18,748	0
Cash, Beginning of Year	40	5,372
Cash, End of Year	$ 350,851	$ 40
Supplemental Information		
Non-cash transactions		
Loan converted to note payable	$ 214,000	$ 0
Escrow shares cancelled	$ 4,143	$ 0
Issuance of 2,000,000 common shares for acquisition of Strikewell Capital Corp.	$ 800,000	$ 0
Accounts payable converted to note payable	$ 1,618,149	$ 0
Interest paid	$ 0	$ 0
Income taxes paid	$ 0	$ 0

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS

The Company was incorporated under the laws of British Columbia and its principal business activities are oil and gas production and exploration. On September 1, 2006, the Company changed its name to Strikewell Energy Corp. On January 1, 2006, the Company purchased all of the issued and outstanding shares of Strikewell Capital Corp. ("Strikewell Capital"), a company that owns producing petroleum and natural gas interests near Garrington, Alberta.

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The future of the Company as a going-concern is highly dependent upon the Company's ability to attract new long-term and permanent equity financing and ultimately to reach a profitable level of operations. Accordingly, the financial statements do not give effect to any adjustments, if any, that would be necessary should the Company be unable to continue as a going-concern, and therefore, be required to realize its assets and liquidate its liabilities other than in the normal course of business and at amounts that may differ from those shown in the financial statements.

As at December 31, 2006, the Company has a working capital surplus of $152,183 (2005 - deficit of $1,994,183) and a cumulative deficit of $20,411,805 (2005 - $18,591,104).

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Basis of consolidation

The consolidated financial statements of the Company include its wholly-owned subsidiary, Strikewell Capital Corp. All intercompany balances and transactions have been eliminated.

(b) Use of 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the collectibility of accounts receivable, the recoverability of petroleum and natural gas interest costs, accrued liabilities, the assumptions used to discount the notes payable to fair value, asset retirement obligation, the rates of depletion and accretion of petroleum and natural gas interests, the valuation allowance for future income tax assets and the fair value of assets and liabilities acquired in the purchase of Strikewell Capital. Management believes these estimates are reasonable, however; actual results could differ from those estimates and would impact future results of operations and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when the petroleum is sold or natural gas is delivered and collectibility is reasonably assured.

(d) Petroleum and natural gas interests

The Company follows the full cost method of accounting for petroleum and natural gas interests whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. These costs include lease acquisition costs, geological and geophysical expenses, drilling costs of successful, as well as unsuccessful wells, and overhead charges related directly to the exploration. The carrying value of petroleum and natural gas interests are not intended to report replacement or current market values.

If the interests are sold or abandoned, the proceeds will be applied against capitalized costs unless such sale significantly impacts the rate of depletion.

Costs associated with unproven reserves are reviewed by management to determine whether they have become impaired. If impairment occurs, the carrying value of the related interest will be reduced to reflect the estimated net realizable value. The estimate will be based on the then current conditions and it is possible that changes could occur that would adversely affect management's estimates resulting in further write-downs of the carrying value of the interest.

(e) Joint interest operations

The Company's petroleum and natural gas exploration and production activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(f) Income taxes

The Company uses the asset and liability method for accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(g) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are not presented as there are no share purchase warrants, options or other equity instruments that are potentially dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase in contributed surplus. When stock options are exercised the corresponding fair value is transferred from contributed surplus to capital stock.

3. FINANCIAL INSTRUMENTS

(a) Fair value

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

The carrying values of notes payable approximate their fair value.

(b) Interest rate risk

The Company's loans payable and notes payable are at fixed interest rates, and therefore, the Company's exposure to interest rate cash flow risk on the debt is minimal.

(c) Credit risk

The Company is exposed to credit risk on its financial assets; however, this risk is mitigated due to cash being placed with major financial institutions. The Company is exposed to credit risk on its accounts receivable, which is due from a joint venture partner (note 15).

(d) Currency risk

The Company is exposed to fluctuations in commodity prices that are based in foreign currency (US dollars).

4. PURCHASE OF STRIKEWELL CAPITAL CORP.

(a) Purchase consideration

On January 20, 2006, the Company completed the acquisition of all the issued and outstanding shares of Strikewell Capital for $2,886,400. The transaction comprised of the issuance of 2,000,000 voting common shares to the vendor at an agreed price of $0.40 for a total consideration of $800,000 and the issuance of a note payable (the "Vendor Note") to the vendor in the principal amount of $2,086,400. The transaction is effective January 1, 2006, with Strikewell Capital becoming a wholly-owned subsidiary of the Company.

The purchase price is calculated as follows:

Note payable	$	2,086,400
Share consideration (2,000,000 common shares at $0.40 per share)		800,000
Discount of notes payable to market interest rate		(1,970,036)
Purchase price	$	916,364

The purchase price was allocated as follows:

Cash	$	18,748
Accounts receivable		104,255
Petroleum and natural gas interests		3,687,249
Note payable		(2,613,600)
Accounts payable and accrued liabilities		(83,913)
Asset retirement obligations		(196,375)
	$	916,364

(b) Restructuring of debt

As part of the purchase transaction, the Company incurred $2,086,400 of debt. At the same time, it restructured existing debt and certain other debt obligations of the newly acquired subsidiary into two notes payable.

(i) Vendor Note

The Company assumed the payment obligations under debt owed by the subsidiary to the vendor in the amount of $628,895, which was added to the principal owing under the purchase transaction.

4. PURCHASE OF STRIKEWELL CAPITAL CORP. (Continued)

(b) Restructuring of debt (Continued)

(ii) Second Note

The Company restructured $1,832,149 of existent debt owed to a company owned by the vendor (the "Vendor Company") by entering into a second promissory note (the "Second Note") with the same payment terms as the Vendor Note. The Company also assumed the payment obligations under debt owed by the subsidiary to the Vendor Company in the amount of $1,984,705, which was added to the principal owing under the Second Note.

The principal owing under the Vendor Note and the Second Note are due for repayment on the ninth anniversary of issuance of the notes and bear 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.

The interest rates on the notes payable for years one through five are considered to be below market for financial instruments with a similar risk profile. Management has determined that an interest rate of 12% per annum over the term of the loan would be a closer approximation to a fair value interest rate. Accordingly, the carrying value of the promissory notes has been discounted to reflect an interest rate of 12%.

Face value of notes payable		
Issued upon acquisition	$	2,086,400
On restructuring		4,445,749
		6,532,149
Discount to reflect 12% interest rate		(1,970,036)
Carrying value of notes payable	$	4,562,113

5. MINERAL PROPERTY

		2006		2005
La Forma Property	$	1	$	1

The Company owns a 100% interest in the La Forma Property located in the vicinity of Mount Freegold, Yukon Territory. Due to a lack of current and foreseeable activity, the investment in the La Forma Property has been reduced to a nominal value of $1. The Company maintains the claims in good standing.

6. PETROLEUM AND NATURAL GAS INTERESTS

	2006			2005
	Cost	Accumulated Depletion	Net Book Value	Net Book Value
Garrington Property	$ 3,598,464	$ 1,524,434	$ 2,074,030	$ 0

On January 1, 2006, the Company acquired 100% of the issued and outstanding shares of Strikewell Capital, which owns interests in producing petroleum and natural gas properties near Garrington, Alberta (note 4(a)).

The Company applied the ceiling test to its capitalized assets at December 31, 2006 and determined that there was no impairment of such costs.

Included in the Company's petroleum and natural gas interests are amounts totaling $102,894 (2005 - $Nil), net of accumulated depletion, representing the asset retirement obligation.

7. LOANS PAYABLE

	2006	2005
Unsecured loan payable, with interest at 10% per annum, compounded semi-annually, due June 1, 2008	$ 916,694	$ 865,924
Loan payable	0	214,000
Loans payable to directors and a former director	0	4,500
	916,694	1,084,424
Less: Current portion	0	218,500
	$ 916,694	$ 865,924

Included in the loan payable due June 1, 2008, is accrued interest of $50,770 (2005 - $Nil).

8. NOTES PAYABLE

	Vendor Note	Second Note	Total
Face value of notes payable	$ 2,715,295	$ 3,816,854	$ 6,532,149
Discount to effective rate	(640,450)	(900,272)	(1,540,722)
Carrying amount, December 31, 2006	$ 2,074,845	$ 2,916,582	$ 4,991,427

8. NOTES PAYABLE (Continued)

Notes payable consist of two notes, arising from the purchase consideration for the acquisition of Strikewell Capital and the restructuring of certain accounts payable and loans payable of the Company.

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.

The interest rates on the notes payable for years one through five are considered to be below market for financial instruments with a similar risk profile. Management has determined that 12% per annum over the term of the loan would be a closer approximation to a fair value interest rate. Accordingly, the carrying value of the notes payable has been discounted to reflect an effective rate of 12%.

Both the Vendor Note and the Second Note are secured against all assets of the Company. The Vendor Note is due to a significant shareholder of the Company. The Second Note is due to a company owned by a significant shareholder of the Company.

9. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from net ownership interest in oil and gas properties including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately $411,000. The majority of the costs will be incurred after 2011. An inflation factor of 1.5% has been applied to the estimated asset retirement cost. A credit-adjusted, risk-free rate of 10% was used to calculate the fair value of the asset retirement obligations. A reconciliation of the asset retirement obligations is provided below:

	2006	2005
Balance, beginning of year	$ 0	$ 0
Asset retirement obligations acquired upon purchase of Strikewell Capital	196,375	0
Accretion expense	2,525	0
	$ 198,900	$ 0

10. CAPITAL STOCK

(a) Authorized
Unlimited number of common shares without par value
Unlimited number of Class "A" preferred shares without par value

10. CAPITAL STOCK (Continued)

(b) Issued

	2006			2005		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of year	2,397,216	$	15,425,998	2,397,216	$	15,425,998
Shares issued for acquisition of 100% of Strikewell Capital (note 4)	2,000,000		800,000	0		0
Cancellation of escrow shares	(1,123)		(4,143)	0		0
Balance, end of year	4,396,093	$	16,221,855	2,397,216	$	15,425,998

On October 3, 2006, the Company cancelled 1,123 common shares, which were held in escrow for certain shareholders, as part of an escrow agreement dated August 6, 1986. The Company cancelled these shares as the Company has abandoned the property for which the escrow shares were issued.

(c) The Class "A" preferred shares are issuable in series; each series to have rights and restrictions as determined by the board of directors. The issuance of preferred shares of any series is subject to regulatory approval. There are no preferred shares outstanding.

(d) During 2005, the Company adopted an incentive stock option plan under which the Company may issue up to a maximum of 10% of the issued shares of the Company as stock options to acquire common shares in the capital of the Company as an incentive to officers, directors, employees and consultants. There were no stock options issued or outstanding during 2005 or 2006.

(e) At December 31, 2006, the Company had no (2005 - 1,123) common shares held in escrow.

11. CONTRIBUTED SURPLUS

Balance, December 31, 2005 and 2004	$	305,000
Cancellation of escrow shares		4,143
Balance, December 31, 2006	$	309,143

12. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2006	**2005**
Income tax benefit computed at Canadian statutory rates	$ (621,000)	$ (150,000)
Accretion of discount on notes payable	146,000	0
Depletion and accretion	521,000	0
Crown royalties	34,000	0
Reduction of taxes due to use of resource pools	(80,000)	0
Unrecognized tax losses	0	150,000
	$ 0	$ 0

The components of the future income tax assets are as follows:

	2006	**2005**
Future income tax assets		
Non-capital loss carry-forwards	$ 681,000	$ 583,000
Capital loss carry-forwards	139,000	139,000
Asset retirement obligations	68,000	0
Tax value in excess of net book value	418,000	0
Unused cumulative development and exploration expenses	1,944,000	2,093,000
	3,250,000	2,815,000
Valuation allowance	(3,250,000)	(2,815,000)
Total future income tax assets	$ 0	$ 0

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

12. INCOME TAXES (Continued)

The Company has accumulated non-capital losses for income tax purposes of approximately $1,994,000. These losses expire as follows:

2007	$ 163,000
2008	220,000
2009	214,000
2010	255,000
2014	319,000
2015	441,000
2026	382,000
	$ 1,994,000

The Company has cumulative capital losses of $817,000 and unused cumulative development and exploration expenses of $7,767,000 that may be carried forward indefinitely.

13. RELATED PARTY TRANSACTIONS

The aggregate amount of transactions made with parties not at arm's length to the Company consist of the following:

(a) Included in accounts payable and accrued liabilities is $Nil (2005 - $10,640) representing funds due to directors of the Company and to a private company controlled by a director of the Company.

(b) Directors' fees paid to directors of $12,000 (2005 - $Nil).

(c) Included in loans payable is $916,694 (2005 - $865,924) payable to a significant shareholder of the Company.

(d) Included in accounts payable is $7,999 (2005 - $Nil) in trade payables and $54,307 (2005 - $Nil) of interest payable to a significant shareholder of the Company.

(e) A note payble with a face value of $2,715,295 (2005 - $Nil) is outstanding to a significant shareholder of the Company.

(f) Included in loans payable is $Nil (2005 - $214,000) payable to a company controlled by a significant shareholder of the Company.

(g) Included in accounts payable is $32,835 (2005 - $1,618,149) in trade payables and $76,337 (2005 - $Nil) of interest payable to a company controlled by a significant shareholder of the Company.

(h) A note payable with a face value of $3,816,854 (2005 - $Nil) is outstanding to a company controlled by a significant shareholder of the Company.

13. RELATED PARTY TRANSACTIONS (Continued)

(i) Administration fees of $118,715 (2005 - $90,818) were paid or payable to a company controlled by a significant shareholder of the Company.

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

14. CONTINGENT ASSET

The Company is currently in a dispute with, Mystique Energy Inc. (“Mystique”) the operator of its Garrington property, in regards to charges for the use of petroleum and natural gas equipment owned by Strikewell Capital and not charged to other interest holders in the Garrington property. It is unknown at this stage whether these amounts can be charged to those other interest holders and whether those amounts would be collectible; accordingly, a reasonable estimate of any recovery by the Company cannot be made at this time.

15. SUBSEQUENT EVENT

The Company has undivided working interests in 9.5 sections of lands in the Garrington area of Alberta, which were held in common with Mystique who operated these properties on behalf of the joint venture partners, including the Company. On April 24, 2007, Mystique was granted protection pursuant to the *Companies’ Creditors Arrangements Act* (Canada), effectively freezing the payment of amounts owing by Mystique to the Company. The Company is currently pursuing its remedies before the court to recoup these monies, which in the Company’s view constitute trust funds held by Mystique on behalf of the Company.