FM Resources Corp.
FORM 51-102F1
Management's Discussion and Analysis
September 30, 2005

The following Management's Discussion and Analysis (**"MD&A"**), was prepared on November 25, 2005, by FM Resources Corp.'s management. It should be reviewed together with FM Resources Corp.'s unaudited consolidated Financial Statements for the period ended September 30, 2005.

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

As used in this MD&A, the terms "we", "us", "our" and "FM" mean FM Resources Corp. 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 7, 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 focused on mineral exploration. Our principal assets are our La Forma, Antoniuk, and Ant gold 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).

We do not generate any income from our operations. Exploration on the properties has been limited to property maintenance level activities due to low working capital.

As a result of our working capital deficiency, among other things, we have not maintained tier maintenance requirements for a TSX Venture Exchange Tier 2 issuer in accordance with TSX Venture Exchange Policy 2.5 and we were transferred to the NEX Board as of January 6, 2005.

Selected Annual Information

The following table sets forth a summary of our financial results for the years ended December 31, 2004, 2003 and 2002. The data in the following table is derived from our audited Financial Statements at December 31, 2004, which were prepared in accordance with Canadian generally accepted accounting principles (**"GAAP"**):

Years ended December 31 (Cdn $)	2004	2003	2002
Net Sales or Total Revenue	$29	$2,196	Nil
Net Income (Loss)	($361,264)	($317,973)	($345,816)
Basic per Share	($0.15)	($0.13)	($0.14)
Diluted per Share	($0.15)	($0.13)	($0.14)
Total Assets	$7,024	$26,580	$57,410
Total Long-term Financial Liabilities	$Nil	$Nil	$996,524

Results of Operations

<u>Twelve-month period ended December 31, 2004 compared to the twelve-month period ended December 31, 2003</u>

Our net loss for the year was $361,264 compared to a net loss of $317,973 for 2003. The increase in net loss was primarily due to the increase in expenses relating to interest and bank charges, which increased to $223,757 from $167,646 in 2003. 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 $2,426,088 compared with $2,084,380 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:

	2005			2004				2003
Period ended	**Q1**	**Q2**	**Q3**	**Q1**	**Q2**	**Q3**	**Q4**	**Q4**
Total Revenue	$6	$8	$17	$7	$14	$19	$10	$2,196
Net Income (Loss)	($93,582)	($198,527)	($309,795)	($76,556)	($166,852)	($250,778)	($361,264)	($317,973)
Basic per Share	($.04)	($0.08)	($0.13)	($0.03)	($0.07)	($0.10)	($0.15)	($0.13)
Diluted per Share	($.04)	($0.08)	($0.13)	($0.03)	($0.07)	($0.10)	($0.15)	($0.13)

Liquidity

At September 30, 2005, we had $2,847 in current assets compared with $7,101 for the same period the prior year. Current liabilities at September 30, 2005 comprising accounts payable, accrued liabilities and loans totaled $2,731,708 compared with $2,335,680 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 September 30, 2005 we have a deficit of $18,459,858. 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, resulted 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 $11,640 representing funds due to directors of FM and to a private company controlled by a director of our company.

Third Quarter

Nine-month period ended September 30, 2005 compared to the nine-month period ended September 30, 2004

Our net loss for the nine-month period was $309,795 compared to a net loss of $250,778 for the same period in the prior year. The increase in net loss was primarily due to the increase in expenses relating to interest and bank charges, which increased to $209,204 for the period from $161,875 for the same period in the prior year. Other expense items remained relatively stable from the previous period.

Three-month period ended September 30, 2005 compared to the three-month period ended September 30, 2004

Our net loss for the three-month period was $111,268 compared to a net loss of $83,926 for the same period in the prior year. The increase in net loss was primarily due to the increase in expenses relating to interest and bank charges, which increased to $73,658 for the period from $58,115 for the same period in the prior year. Other expense items remained relatively stable from the previous period.

Proposed Transaction

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. (**"Strikewell"**), 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.

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 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 within 30 days of the conditional acceptance prior to closing. FM is in the process of submitting follow-up documentation in order to obtain final approval and FM and the Vendor are currently negotiating the Share Purchase Agreement. The closing date remains targeted at December 20, 2005.

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.

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

Effective January 1, 2003, we adopted, prospectively, the Canadian Institute of Chartered Accountants Handbook, Section 3870 *Stock-based compensation and other stock-based payments.* Under the new recommendation, we adopted the fair value for all direct awards of stocks and apply the fair value method. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of our common shares, and the expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of our stock. The adoption of this policy has no cumulative effect on the prior year's Financial Statements.

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 cash equivalents, accounts payable and accrued liabilities and loans payable approximate their fair value because of the short-term nature of those instruments.

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

Our properties are currently being assessed for exploration and as a result, FM has no source of operating cash flow. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration. 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 at the date of the MD&A

Our common shares are listed for trading on the NEX board under the symbol FMR.H.

Class of Shares	Par Value	Number Authorized	Number Issued
Common	Nil	Unlimited	2,397,216
Class A	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 is available on SEDAR at www.sedar.com. We also maintain a web site at www.fm-resources.bc.ca.