FM Resources Corp.
FORM 51-102F1
Management's Discussion and Analysis
March 31, 2006

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

The following MD&A was prepared on May 29, 2006, by our management. It should be reviewed together with our unaudited consolidated Financial Statements for the year ended March 31, 2006.

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 of the oil and gas industry, such as operational risks in exploring for, developing and producing oil and natural gas, and market demand;
- The risks and uncertainties involving geology of oil and gas deposits;
- The uncertainty of reserves estimates;
- The uncertainty of estimates and projections relating to exploration, development and production costs and expenses;
- Potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- Fluctuations in oil and gas prices, foreign currency exchange rates and interest rates;
- Health, safety and environmental risks;
- Uncertainties as to the availability and cost of financing;
- General economic conditions;
- The effect of acts of, or actions against, international terrorism;

- The possibility that government policies or laws may change or governmental approvals may be delayed or withheld; and

- The risks enumerated in the section of this MD& A entitled "Risk Factors", beginning on page 7, below.

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.

Description of Business

Our company is a Vancouver based oil and gas issuer with our common shares listed on the TSX Venture Exchange and trades under the symbol "FMR". We own producing petroleum and natural gas interests near Garrington, Alberta, through our wholly-owned subsidiary Strikewell Capital Corp (**"Strikewell"**). We also own our La Forma, Antoniuk, and Ant gold properties located in the Dawson Range of west-central Yukon.

Overall Performance

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 propertied 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. The transaction is effective as of January 1, 2006 and Strikewell is now a wholly-owned subsidiary of FM. Strikewell owns producing petroleum and natural gas interests (the **"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. on August 29, 2005, the total proved oil with respect to the Property is 54 thousand barrels and the total proved gas is 209 million cubic feet.

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 Income (Loss)	($441,042)	($361,264)	($317,973)
Basic per Share	($0.18)	($0.15)	($0.13)
Diluted 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 $223,757 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:

	2006	2005				2004		
Period ended	**Q1**	**Q1**	**Q2**	**Q3**	**Q4**	**Q2**	**Q3**	**Q4**
Total Revenue	$472,572	$6	$8	$17	$28	$14	$19	$10
Net Income (Loss)	$18,087	($93,582)	($198,527)	($309,795)	($441,042)	($166,852)	($250,778)	($361,264)
Basic per Share	$0.00	($0.04)	($0.08)	($0.13)	($0.18)	($0.07)	($0.10)	($0.15)
Diluted per Share	$0.00	($0.04)	($0.08)	($0.13)	($0.18)	($0.07)	($0.10)	($0.15)

Liquidity

At March 31, 2006, we had a net working capital deficit of $887,018 compared to a net working capital deficit of $2,512,646 at March 31, 2005. We had cash at March 31, 2006 of approximately $170,767 compared to cash of approximately $764 at March 31, 2005. We had $486,277 in current assets compared with $3,918 for the same period the prior year. Current liabilities at March 31, 2006 comprising accounts payable, accrued liabilities and loans totaled $1,373,295 compared with $2,516,564 for the same period the prior year. We had no long-term capital expenditure commitments, our long-term liabilities are the two promisory notes as described below, and we do not anticipate any problems meeting capital expenditures as they become due.

Our objective is to meet our capital requirements by a combination of cash flow from our current and future wells, and re-investment of current capital. However, production volumes and the market price that we receive for the oil and gas that we produce and sell determines our revenue from oil and natural gas sales. As a consequence, our ablility to obtain additional capital is substantially dependent on oil and natural gas prices. Future cash flows and the continued availability of financing are subject to a number of uncertainties, such as production rates, the price of oil and gas, and the continued results of our drilling programs.

Capital Resources

On January 20, 2006, the Company closed a 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 (the **"Vendor"**) 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 obligations 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 promisory 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 the Company to the Vendor Company. In addtion, the Company assumed the payment obligations under 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 Vendor Note is due for repayment on the ninth anniversary of issuance of the Notes and bears interest at 2% for the 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-annuallly. Both the Vendor Note and the Second Note are secured against all of the assets of the Company.

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 $11,640 representing funds due to directors of FM and to a private company controlled by a director of our company.

First Quarter

Three-month period ended March 31, 2006 compared to the three-month period ended March 31, 2005

Revenue for the first quarter of 2006 increased to $472,572 compared to $6 for the same period in 2005 while net income for the quarter increased to $18,087 compared to a net loss of $93,582 for the same period in 2005.

Direct expenses for the three-month period ended March 31, 2006 increased to $351,467 consisting of $79,463 in amortization, depreciation and depletion expenses, $117,089 in royalty expenses and $154,915 in operating expenses compared to $nil for the same period in 2005.

General and administration expenses for the three-month period ended March 31, 2006 increased to $35,918 compared to $27,195 for the same period in 2005. Professional fees increased to $35,391 from $567 for the same period the prior year. Interest and bank charges decreased to $31,708 from $65,827 for the same period the prior year.

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.

As a result of the completion of the acquisition of Strikewell, the Company has 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.

Our financial instruments consist of cash, accounts receivable, deposits and accounts payable, and promissory notes. Unless otherwise noted, it is our opinion that FM is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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.**

Potential of Substantial Dilution: If we require additional funds in order to finance proposed operations, we may sell additional equity securities. If we sell additional equity securities of our company, existing investors will experience dilution of their equity interest.

Financial Considerations: Our decision as to whether our properties contain commercial oil and gas deposits and whether these should be brought into production will require substantial funds and depend upon the results of exploration programs, feasibility studies and the recommendations of duly qualified engineers, geologists, or both. This decision will involve consideration and evaluation of several significant factors including but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies, and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the oil and gas to be produced; (5) environmental compliance regulations and restraints; and (6) political climate, governmental regulation and control. Many of the factors taken into consideration are beyond our control and may have a material effect on the outcome of our decision.

Property Defects: Although we have obtained title reports with respect to some of our properties, we have not obtained title reports with respect to all of our current properties. In addition, the title reports that we obtained are many years old. Title reports are not title insurance and they do not act as a guarantee of title. Our properties may be subject to prior unregistered agreements, native land claims or transfers which have not been recorded or detected through title research or which have been asserted since the date the research was completed. Additionally, the land upon which we hold leases may not have been surveyed; therefore, the precise area and location of such interests may be subject to challenge.

Currency Fluctuations: We maintain our deposit accounts in Canadian currencies and we are therefore subject to currency fluctuations. These currency fluctuations could materially affect our financial position and results. We do not engage in currency hedging activities.

Need to Manage Growth: We could experience rapid growth in production, revenues, personnel, complexity of administration and in other areas. There can be no assurance that we will be able to manage the impact that future growth could place on our administrative infrastructure, systems, and controls. If we are unable to manage future growth effectively, our business, operating results and financial condition may be materially and adversely affected.

Risks Relating to the Industry

Potential Profitability Of Oil and Gas Ventures Depends Upon Factors Beyond Our Control: The potential profitability of oil & gas properties is dependent upon many factors that are beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our financial performance.

A productive well may become uneconomic in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. 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 pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, 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 our company not receiving an adequate return on invested capital.

Competitiveness of the Oil and Gas Industry: The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies, which have substantially greater technical, financial and operational resources and personnel. Accordingly, there is a high degree of competition for desirable leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. There can be no assurance that the necessary funds can be raised or that any projected work will be completed.

Fluctuating Price and Demand: The marketability of natural resources that we may acquire or discover may be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and natural gas and environmental protection regulations. The impact of these factors cannot be accurately predicted, but the combination of these factors could have an adverse impact on our business.

Comprehensive Regulation of Oil and Gas Industry: Our operations are subject to federal, provincial, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Our operations are also subject to federal, provincial, and local laws and regulations that seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be received. We can give no assurance that environmental standards imposed by federal, provincial or local authorities will not be changed or that any such changes would not have materially adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on our business and our company. Additionally, we may be subject to liability for pollution or other environmental damages, which we may elect not to insure against due to prohibitive premium costs and other reasons.

Environmental Regulations: In general, our exploration and production activities are subject to certain federal, provincial and local laws and regulations relating to environmental quality and pollution control. These laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Specifically, we are subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all environmental risks.

*Risks Associated with Drilling***:** Drilling operations generally involve a high degree of risk. These include unusual or unexpected geological conditions, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labour, and other risks. We may become subject to liability for pollution or hazards against which we cannot adequately insure or against which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

Government Regulation/Administrative Practice: There is no assurance that the laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in Canada or any other applicable jurisdiction will not be changed, applied or interpreted in a manner which will fundamentally alter our ability to develop, operate, export or market our products.

The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on our company. Any or all of these situations may have a negative impact on our ability to operate and make a profit.

Operating Hazards and Risks: 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, 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.

Outstanding Share Data

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

As at March 31, 2006 and 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

The Company's Chief Executive Officer and Chief Financial Officer (the **"Responsible Officers"**) are responsible for establishing and maintaining disclosure controls and procedures for the Company, designed to provide reasonable assurance that material information relating to the Company and its subsidiary is made known to the Responsible Officers by others within the organization, particularly during this period in which the Company's quarterly financial statements and Management's Discussion and Analysis are being prepared. The Responsible Officers have evaluated the effectiveness of the Company's disclosure controls and procedures as at March 31, 2006, and have concluded that such controls and procedures are effective in conveying the required information to the Responsible Officers, particularly in light of the Company's size, structure and stage of development.

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.