FM Resources Corp.

Interim Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

FM Resources Corp.

Consolidated Balance Sheets

(unaudited - prepared by management)
(Expressed in Canadian dollars)

		As at June 30, 2006		As at December 31, 2005
ASSETS				
Current				
Cash and cash equivalents	$	**173,687**	$	40
Prepaid expenses		**447**		-
Accounts receivable		**492,333**		3,040
		666,467		3,080
Mineral Properties		**1**		1
Oil and Gas Properties		**3,442,383**		-
	$	**4,108,851**	$	3,081
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**488,827**	$	1,778,763
Loans payable		**870,425**		1,084,424
		1,359,251		2,863,187
Promissory Notes		**4,492,422**		-
Asset Retirement Obligation		**205,301**		-
		6,056,974		2,863,187
SHAREHOLDERS' DEFICIENCY				
Share Capital		**16,225,998**		15,425,998
Contributed Surplus		**305,000**		305,000
Deficit		**(18,479,121)**		(18,591,104)
		(1,948,123)		(2,860,106)
	$	**4,108,851**	$	3,081

On behalf of the Board:

"Chris Schultze" **Director**

"Luard Manning" **Director**

FM Resources Corp.

Consolidated Statements of Operations and Deficit

(unaudited - prepared by management)

(Expressed in Canadian dollars)

	Six month period ended June 30, 2006	Three month period ended June 30, 2006	Six month period ended June 30, 2005	Three month period ended June 30, 2005
Revenue				
Oil and gas revenue	$ 919,418	$ 446,861	$ -	$ -
Interest income	199	184	8	2
	919,617	447,045	8	2
Direct operating expenses				
Depreciation and depletion	158,926	79,463	-	-
Production	276,230	121,315	-	-
Royalties	179,621	62,532	-	-
	614,777	263,310	-	-
Operating income (loss)	304,840	183,735	8	2
General and administrative expenses:				
Administration	42,050	21,035	36,000	18,000
Filing and transfer agent fees	9,069	4,422	6,432	4,708
Interest and bank charges	63,416	31,708	135,546	69,719
Office and miscellaneous	17,701	8,944	14,984	9,014
Professional fees	57,621	22,230	2,573	2,006
Office rent	3,000	1,500	3,000	1,500
	192,857	89,839	198,535	104,947
Net income (loss) for the period	111,983	93,896	(198,527)	(104,945)
Deficit, beginning of period	(18,591,104)	(18,573,017)	(18,150,063)	(18,243,644)
Deficit, end of period	$ (18,479,121)	$ (18,479,121)	$ (18,348,590)	$ (18,348,590)
Earnings (loss) per share - basic and diluted	$ 0.04		$ (0.08)	
Weighted average number of common shares outstanding - basic and diluted	3,195,024		2,397,216	

FM Resources Corp.

Consolidated Statement of Cash Flows

(unaudited - prepared by management)

(Expressed in Canadian dollars)

	Six month period ended June 30, 2006	Three month period ended June 30, 2006	Six month period ended June 30 2005	Three Month period ended June 30, 2005
Cash provided by (used in):				
Operating activities				
Earnings (loss) for the period	$ 111,983	$ 93,896	$ (198,527)	$ (104,945)
Accrued interest	63,416	31,708	-	-
Depletion and accretion	158,926	79,463	-	-
	334,325	205,067	(198,527)	(104,945)
Changes in non-cash working capital:				
Increase in prepaid expenses	(447)	(447)	(129)	1,209
Increase in accounts receivable	(489,293)	(176,823)	(2,606)	(2,440)
Increase in accounts payable	126,462	36,795	189,305	98,828
	(28,953)	64,592	(11,957)	(7,348)
Investing activities				
Acquisition of oil and gas properties on business acquisition	(3,488,759)	(61,672)	-	-
Promissory note issued on business acquisition	4,460,714	-	-	-
Debt restructure on business acquisition	(1,569,355)	-	-	-
	(597,400)	(61,672)	-	-
Financing activities				
Loan payable	-	-	7,000	7,000
Shares issued on business acquisition	800,000	-	-	-
	800,000	-	7,000	7,000
Increase (decrease) in cash and cash equivalents	173,647	2,920	(4,957)	(348)
Cash and cash equivalents, beginning of period	40	170,767	5,372	763
Cash and cash equivalents, end of period	$ 173,687	$ 173,687	$ 415	$ 415

The accounting policies and methods of application used in the preparation of these interim unaudited Consolidated Financial Statements are consistent with those used in the Company's most recent annual audited Consolidated Financial Statements. The interim unaudited Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2005.

1. NATURE OF OPERATIONS

The Company was incorporated under the laws of British Columbia and its principal business activities include the exploration and development of mineral properties. Effective January 1, 2006, the Company, acquired a wholly-owned subsidiary, Strikewell Capital Corp. whose principal business activity is the exploration and development of oil and gas properties in Alberta, Canada. The Company has changed its principal business activities to the oil and gas production business.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and will be prepared in future periods within the framework of the significant accounting policies summarized below:

(a) Basis of consolidation:
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Strikewell Capital Corp. All material intercorporate transactions and balances have been eliminated upon consolidation.

(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, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are readily convertible to known amounts of cash within 90 days from the original date of acquisition.

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

Depletion of exploration and development costs is provided using the unit-of-production method based on estimated proven petroleum and natural gas reserves.

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 or not 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.

(f) 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.

(g) Earnings (loss) per share

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

(h) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow.

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 the instruments. It was not practicable to determine the fair value of loans payable and promissory notes as there is no active liquid market for similar debt.

(b) Interest rate risk

The Company's loans payable and promissory notes 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 not exposed to significant credit risk on its financial assets due to cash being placed with major financial institutions.

(d) Currency risk

The Company is not exposed to foreign currency fluctuations.