



(An exploration-stage company)

Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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NOTICE TO READER

THE ISSUER'S AUDITORS HAVE NOT REVIEWED OR BEEN INVOLVED IN THE PREPARATION OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GFM RESOURCES LIMITED

(an exploration-stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

As at		September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	Note	\$	\$
ASSETS			
Current			
Cash and cash equivalents		18,882	10,636
Accounts receivable	4	1,305	1,098
Prepaid expenses and deposits		1,433	1,250
Due from related party	10	206,196	-
Advance payment of mineral concessions	8	6,000	-
		233,816	12,984
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5	13,862	15,934
Due to related parties	10	207,246	576,660
Liability component of convertible loan	6	-	802,869
Loans with related party	7	63,838	-
		284,946	1,395,463
SHAREHOLDERS' DEFICIENCY			
Share capital	9	3,484,022	3,484,022
Contributed surplus	6, 9	870,442	507,236
Equity component of convertible loan	6	-	339,650
Foreign currency reserve		45,442	104,298
Deficit		(4,451,036)	(5,817,685)
		(51,130)	(1,382,479)
		233,816	12,984

The accompanying notes are integral part of these condensed consolidated interim financial statements

Approved by the board of directors and authorized for issue on November 27, 2017

Note 1 - Nature of Operations and Going Concern Uncertainty

Note 13 - Subsequent events

"James Robertson"

Director

"Horacio Alcocer"

Director

GFM RESOURCES LIMITED

(an exploration-stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		September 30		September 30	
		2017	2016	2017	2016
		\$	\$	\$	\$
EXPENSES					
Administration and accounting	10	15,000	15,000	45,000	45,000
Audit and legal		10,084	5,849	23,032	19,620
Property examination costs	8	6,464	11,998	18,492	24,467
Filing and transfer agent fees		2,240	5,096	7,619	10,260
Directors' fees	10	3,000	3,000	9,000	9,000
Office and sundry		1,487	398	4,166	2,202
Foreign exchange loss		1,117	121	948	493
Loss before other expenses		(39,392)	(41,462)	(108,257)	(111,042)
Other income (expenses)					
Accretion of convertible loan	6	-	(16,614)	(35,246)	(47,139)
Interest on loans	6,7	(369)	(5,678)	(12,346)	(16,173)
Forgiveness of debt	6	-	-	1,522,498	-
Income (loss) for the period		(39,761)	(63,754)	1,366,649	(174,354)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations, net of tax		-	22,034	(58,856)	107,394
Total comprehensive income (loss) for the period		(39,761)	(41,720)	1,307,793	(66,960)
Earnings (loss) per share (basic and diluted)		(0.00)	(0.00)	0.07	(0.01)
Weighted average number of shares outstanding					
(basic and diluted)		19,085,071	19,085,071	19,085,071	19,085,071

The accompanying notes are integral part of these condensed consolidated interim financial statements

GFM RESOURCES LIMITED

(an exploration-stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

		Nine months ended September 30	
	Note	2017 \$	2016 \$
Operating activities			
Income (loss) for the period		1,366,649	(174,354)
Adjustments for items not involving cash:			
- Accretion expense	6	35,246	47,139
- Non-cash interest on loans	6,9	12,346	16,173
- Non-cash impact of foreign exchange translation		(12,003)	7,190
- Forgiveness of debt		(1,522,498)	-
		(120,260)	(103,852)
Changes in non-cash working capital items:			
- Accounts receivable		(207)	779
- Prepaid expenses and deposits		(6,183)	-
- Accounts payable and accrued liabilities		(2,072)	(12,247)
- Amounts due to related parties	10	(206,195)	-
Cash generated from (used in) operating activities		(334,917)	(115,320)
Cash flows from financing activities			
Convertible loan advances	6,10	55,000	118,000
Loans from related party	7	62,624	-
Other funding of subsidiary	10	225,575	24,521
Cash (used in) generated from financing activities		343,199	142,521
Effect of foreign exchange translation on cash		(36)	(569)
Net change in cash		8,246	26,632
Cash, beginning of the period		10,636	5,598
Cash, end of the period		18,882	32,230
Supplementary information:			
Income taxes paid in cash		-	-
Interest paid in cash		-	-
Issuance of common shares in settlement of debt to related party		-	-

The accompanying notes are integral part of these condensed consolidated interim financial statements

GFM RESOURCES LIMITED

(an exploration-stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

	Note	Share capital		Contributed surplus	Equity portion of convertible loan	Foreign currency reserve	Deficit	Total
		Amount	Value					
		#	\$					
Balance, December 31, 2015		19,085,071	3,484,022	507,236	289,112	(26,372)	(5,594,628)	(1,340,630)
Convertible loan with related party	6	-	-	-	50,538	-	-	50,538
Comprehensive loss for the period		-	-	-	-	107,394	(174,354)	(66,960)
Balance, September 30, 2016		19,085,071	3,484,022	507,236	339,650	81,022	(5,768,982)	(1,357,052)
Convertible loan with related party	6	-	-	-	-	-	-	-
Comprehensive loss for the period		-	-	-	-	23,276	(48,703)	(25,427)
Balance, December 31, 2016		19,085,071	3,484,022	507,236	339,650	104,298	(5,817,685)	(1,382,479)
Convertible loan with related party	6	-	-	-	23,556	-	-	23,556
Forgiveness of debt	6	-	-	363,206	(363,206)	-	-	-
Comprehensive income (loss) for the period		-	-	-	-	(58,856)	1,366,649	1,307,793
Balance, September 30, 2017		19,085,071	3,484,022	870,442	-	45,442	(4,451,036)	(51,130)

The accompanying notes are integral part of these condensed consolidated interim financial statements

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars except where indicated)

1. Nature of Operations and Going Concern Uncertainty

GFM Resources Limited (the "Company") was incorporated under the laws of British Columbia, Canada, on September 3, 1987. During the year ended December 31, 2000, the Company continued its operation in the Yukon Territory under the Business Corporation Act of Yukon and registered as an extra-provincial company in British Columbia under the laws of British Columbia. The addresses of the Company are:

- Administration office: Suite 2000 – 1066 West Hastings Street, Vancouver, BC V6E 3X2, Canada.
- Registered records office: Suite 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7, Canada

The Company is in the business of acquisition, exploration and development of mineral properties, and has a wholly-owned subsidiary in Mexico, GFM Resources de México, S.A. de C.V. (the "Subsidiary"), with the purpose of carrying such activities in Mexico

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has incurred significant losses since inception, and has a working capital deficiency, as follows:

	September 30, 2017	December 31, 2016
	\$	\$
Deficit	(4,451,036)	(5,817,685)
Working capital deficiency:	(51,130)	(1,382,479)

On June 30, 2017, the majority shareholder of the Company, Compañía Minera Autlán, S.A.B. de C.V., of Mexico ("Autlan"), sold its Company shares to Metallorum Holding, S.A.P.I. de C.V. ("Metallorum"), a private Mexican company, controlled by the same beneficial owner, who is a director of the Company. This sale was due to an internal re-organization of the beneficial shareholder's corporate structure, and thus it does not constitute a change of control for the Company. The debt the Company owed to Autlan was forgiven in its entirety (Note 6).

On November 17, 2017, the Company entered into certain loan agreements with Metallorum (Note 7) to provide the Company with funding to meet its obligations.

Continued operations of the Company are dependent on the Company's ability to obtain public equity financing or to receive continued financial support from its new controlling shareholder, Metallorum. There can be no assurance the Company will be successful in achieving these goals and, accordingly, there is a material uncertainty casting significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2016.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on November 27, 2017.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars except where indicated)

2. Basis of preparation (continued...)

(b) Critical accounting estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

3. Significant Accounting Policies

The accounting policies adopted are consistent with those described in the December 31, 2016, annual consolidated financial statements, with the exception of the item described below:

Annual Improvements to IFRS

The Company adopted the newly issued IASB narrow-scope amendments to various standards on October 1, 2014. Amendments were made to clarify the following in their respective standards:

- Definition of “vesting condition” in IFRS 2, Share-based Payments;
- Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3, Business Combinations;
- Disclosures on the aggregation of operating segments in IFRS 8, Operating Segments;
- Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13, Fair Value Measurement; and
- Definition of “related party” in IAS 24, Related Party Disclosures.

The extent of the impact of adoption of the amendments has not been material.

4. Accounts Receivable

	September 30, 2017		December 31, 2016
GST receivable	\$ 1,305	\$	1,098
Due from related party (Note 10)	206,196		-
Total	\$ 207,501	\$	1,098

5. Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities are as follows:

	September 30, 2017		December 31, 2016
Trade payables	\$ 2,103	\$	930
Accrued liabilities	11,759		15,004
Total	\$ 13,862	\$	15,934

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6. Convertible Loan

On March 1, 2007, the Company had entered into a convertible loan agreement (the "Convertible Loan") with Grupo Ferrominero, S.A. de C.V. ("Grupo"), at that time Autlan's controlling shareholder. Under the terms of the Convertible Loan, Grupo would fund amounts from time to time to a maximum of \$500,000 per year. Each advance would bear interest, commencing on the date of the advance, at the Prime Rate offered by the Company's bank on such date. The loan was repayable on demand. Ownership of the loan was subsequently transferred to Autlan.

Under the terms of the Convertible Loan, Autlan had the right to convert the principal amount of each advance into units of the Company at the closing price of the Company's common shares on the TSX Venture Exchange on the day before the advance (the "Conversion Price"). Each unit would consist of one common share and one common share purchase warrant. Each warrant would be exercisable for a period of one year from the date of advance at the higher of the Conversion Price or the minimum exercise permitted by the TSX Venture Exchange. On September 30, 2007, an Amending Agreement was entered into whereby, should Grupo exercise its conversion right after one year from the date of the advance, then the principal amount of the advance would be converted only into common shares of the Company at the Conversion Price, instead of into units consisting of one common share and one share purchase warrant. Furthermore, the convertibility provision would be restricted to a maximum of five years from the date of each advance. Since the sale in 2007 of the majority of the Company's shares owned by Grupo to Autlan, Autlan had been providing the advances under the exact same terms.

The Company accounted for the Convertible Loan by splitting the fair value into an equity element representing the conversion feature, and a liability element representing the debt component.

The liability element was calculated, at the date of each advance, as the present value of the stream of interest and principal payments discounted at a rate approximate to the interest for a similar liability without a conversion feature. This rate had been estimated by the Company at 15% for all outstanding advances. The difference between the cash received and the liability element was recorded as the equity element. The debt discount was accreted over the expected term to maturity in the consolidated statement of income (loss).

On June 30, 2017, the Company and Autlan entered into a Debt Forgiveness Agreement (the "Forgiveness Agreement"), whereby Autlan forgave all of the outstanding debt pursuant to the Convertible Loan in the amount of \$1,000,689, including principal and interest (see table below), and also the debt owed to Autlan by the Subsidiary in the amount of approximately \$641,000. As at June 30, 2017, the Company was debt free. The Forgiveness Agreement was entered into in anticipation of the acquisition by Metallorum of the Company shares previously held by Autlan. The equity portion of the convertible loan was charged to contributed surplus.

The Company and Metallorum have entered into new loan agreements (Note 7) to maintain the Company's funding requirements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

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6. Convertible Loan (continued...)

The balances on the Convertible Loan are as follows:

	Liability component				Equity component	
	Amounts advanced	Discounted principal	Accrued interest	Accrued accretion	Total	
				expense		
\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015	675,100	385,988	118,601	144,546	649,135	289,112
Loan advances from Autlan	118,000	67,462	16,173	47,139	130,774	50,538
Balance, September 30, 2016	793,100	453,450	134,774	191,685	779,909	339,650
Loan advances from Autlan	-	-	5,838	17,122	22,960	-
Balance, December 31, 2016	793,100	453,450	140,612	208,807	802,869	339,650
Loan advances from Autlan	55,000	31,444	11,977	35,246	78,667	23,556
Debt forgiveness	(848,100)	(484,894)	(152,589)	(244,053)	(881,536)	(363,206)
Balance September 30, 2017	-	-	-	-	-	-

7. Loans with related party

On November 17, 2017, the Company entered into a loan agreement (the "Loan Agreement") with its majority shareholder, Metallorum, with effect from August 1, 2017. Under the terms of the Loan Agreement, Metallorum will make available to the Company a line of credit in up to USD \$2,000,000 per year. Advances made under the Loan Agreement bear annual simple interest calculated on the London Interbank Offered Rate ("LIBOR") plus 2%, calculated daily on the outstanding balance. The principal outstanding, together with any accrued but unpaid interest will become due and payable on demand, but such demand shall not to be made unless the Company has sufficient funds to repay the loan. There are no convertibility features on this Loan Agreement. In the period from August 1 to September 30, 2017, the Company has borrowed \$50,000 under the Loan Agreement, and has accrued interest of \$270.

Also on November 17, 2017, Metallorum entered into a separate loan agreement with the Subsidiary (the "Subsidiary Agreement"), with effect from August 1, 2017. Under the terms of the Subsidiary Agreement, Metallorum will make available to the Subsidiary a line of credit in up to MXN \$40,000,000 (approximately USD \$2,000,000) per year. Advances made under the Subsidiary Agreement bear annual simple interest calculated on the Bank of Mexico's inter-bank loan rate (TIIE for its acronym in Spanish – *Tasa de Interés Interbancaria de Equilibrio*) plus 2%, calculated daily on the outstanding balance. The Subsidiary Agreement has a term of two years, which can be extended upon agreement of the parties. There are no convertibility features on this Subsidiary Agreement. In the period from August 1 to September 30, 2017, the Subsidiary has borrowed \$12,624 under the Subsidiary Agreement, and has accrued interest of \$99.

The following is a summary of the loans as at September 30, 2017:

	Principal received	Accrued Interest	Foreign exchange adjustment	Total due
	\$	\$	\$	\$
Loan Agreement	50,000	270	1,153	51,423
Subsidiary Agreement	12,624	99	(308)	12,415
	62,624	369	845	63,838

See Note 13, *Subsequent events*.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian dollars except where indicated)

8. Advance payment on mineral concession and property examination costs

The Company, through the Subsidiary, currently holds title to three mining concessions in the state of Durango, Mexico, integrating the La Casita project.

During the nine months ended September 30, 2017, the company has an incurred mineral concession maintenance costs of \$24,492 (2016: \$24,467) of which \$18,492 correspond to the nine months ended September 30, 2017, and reported as property examination costs on the condensed consolidated interim statement of income and comprehensive income, with the remaining \$6,000 (2016: \$Nil) of such costs corresponding to the three months ended December 31, 2017 and reported as advance payment on mineral concessions on the condensed consolidated interim statement of financial position.

9. Share Capital

a) Authorized:

unlimited number of common shares without par value. There are no restrictions on transfers.

b) Issued and outstanding:

There were 19,085,071 common shares issued and outstanding as of September 30, 2017 and December 31, 2016. No common shares were issued during nine months ended September 30, 2017, or the years ended December 31, 2016 and 2015.

c) Warrants

There were no warrants outstanding as of September 30, 2017 (December 31, 2016 – Nil).

d) Stock options

On May 23, 2006, the Board of Directors approved the adoption of a new incentive stock option plan (the "Plan"), which was approved by the shareholders on June 29, 2006, and ratified by the shareholders at each subsequent annual general meeting of shareholders, including the one held on September 20, 2017. The Plan allows grants of options to a maximum of 10% of the issued and outstanding shares of the Company at any time.

As the Company is currently in the search for mineral property acquisition targets, the stock options granted to the consultants and other non-employees of the Company are to serve as incentive in that process. Therefore, a reliable estimate of the fair value of these options based on the equivalent fair market value of services rendered is very difficult to assess given the unique and varying nature of these services and the lack of comparable market information. Accordingly, the Company has measured share-based payments to non-employees based on the fair value of the equity instruments granted.

Stock options outstanding and exercisable are as follows:

	Options	Weighted average exercise price \$
Balance, December 31, 2015.	442,500	0.10
Expired unexercised	(442,500)	0.10
Balance, December 31, 2016 and September 30, 2017	-	-

Each option entitled the holder to purchase one common share of the Company.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

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10. Related party transactions

During the nine months ended September 30, 2017 and 2016, the Company entered into the following transactions with related parties and incurred payments to key management personnel, which were in the normal course of operations.

Nine months ended September 30:	2017	2016
	\$	\$
Management fees paid to a company controlled by the Chief Financial Officer of the Company	45,000	45,000
Office rent paid to a company controlled by the Chief Financial Officer of the Company	450	450
Director's fees:	9,000	9,000
Amounts advanced by Autlan to the Company ⁽ⁱ⁾⁽ⁱⁱ⁾	55,000	118,000
Amounts provided by Autlan to the Subsidiary in order for it to pay for the mineral rights and meet other local obligations ⁽ⁱ⁾	10,943	24,521
Interest accrued on Convertible Loan before forgiveness	11,977	16,173
Debt forgiveness by Autlan of liability component of Convertible Loan and of amounts lent to Subsidiary, including interest ⁽ⁱⁱⁱ⁾	1,522,498	-
Debt forgiveness by Autlan of equity component of Convertible Loan charged to contributed surplus ⁽ⁱⁱⁱ⁾	363,206	-
Advances from Metallorum to the Company ^(iv)	50,000	-
Advances from Metallorum to the Subsidiary ^(v)	12,624	-
Interest accrued on Metallorum advances ^(iv,v)	369	-
Payment of mineral concessions on behalf of related party ^(vi)	214,632	-

(i) The Company was controlled by Autlan until June 30, 2017, in turn controlled by a director of the Company.

(ii) The amounts are advances made pursuant to the Convertible Loan (Note 6).

(iii) Pursuant to Debt Forgiveness Agreement with Autlan (Note 6).

(iv) Pursuant to the Loan Agreement with Metallorum, majority shareholder from June 30, 2017, in turn controlled by a director of the Company (Note 7).

(v) Pursuant to the Subsidiary Agreement with Metallorum (Note 7).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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10. Related party transactions (continued...)

(v) (vi) On November 17, 2017, the Company entered into a Mandate and Indemnity Agreement (the "Mandate") with Soluciones y Reparaciones Domésticas, S.A. de C.V. ("Soluciones"), a private Mexican company wholly owned by Metallorum, with effect as of August 14, 2017. Soluciones had entered into an agreement to acquire certain mineral concession in Mexico from another affiliate company, but it does not have the corporate capacity to hold such concessions. Soluciones therefore requested the Subsidiary to hold these concessions on its behalf and has agreed to pay for and indemnify the Subsidiary for all costs and liabilities associated with the holding of the Concessions (the "Mandate"). During the period ended September 30, 2017, the Subsidiary borrowed from Metallorum MXN \$3,002,273 (approximately \$214,632 at the date these funds were received by the Subsidiary) to pay for the maintenance fees of these concessions on behalf of Soluciones. The Subsidiary is expected to recover these amount from Soluciones subsequent to September 30, 2017. The Subsidiary invoiced Soluciones for the amount, which at September 30, 2017 translates to \$206,196, and is reflected as amount due from a related party on the Company's condensed consolidated interim statement of financial position. The above-mentioned amount does not form part of the Subsidiary Loan (Note 7). See Note 13, *Subsequent events*.

The amounts due to related parties are as follows:

As at:	September 30, 2017	December 31, 2016
	\$	\$
Amounts owed to Grupo or to Autlan for services provided to the Company's Mexican subsidiary (denominated in Mexican pesos):	-	570,262
Amounts owed to Autlan pursuant to the Convertible Loan, including principal and accrued interest (Note 6):	-	933,712
Amounts owed to Metallorum pursuant to Loan Agreement (Note 7):	51,423	-
Amounts owed to Metallorum by Subsidiary pursuant to Subsidiary Agreement (Note 7):	12,415	-
Amounts owed to Metallorum pursuant to Mandate to hold mineral claims on behalf of Soluciones:	206,196	-
Management fees and reimbursable expenses owed to a company controlled by an officer of the Company:	-	5,348
Directors' fees owed to a director of the Company:	1,050	1,050
	271,084	1,510,372

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11. Financial instruments

The carrying value of cash and cash equivalents and accounts receivable approximate their fair value due to the short-term nature of these instruments. The fair value of accounts payable, due to related parties and the liability component of the convertible loan may be less than the carrying value due to liquidity risk (see Note 1 *Nature of Operations and Going Concern Uncertainty*). The Company determines the carrying amount of Convertible Loan by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Currency Risk

As at September 30, 2017, all of the Company's cash and cash equivalents were held either in Canadian dollars, US dollars or Mexican pesos. The Company incurs expenditures in Canada and Mexico, and as such is exposed to currency risk associated with these costs.

A change in the value of the Mexican peso by 10% relative to the Canadian dollar would affect the Company's working capital by approximately \$8,000, and its net loss for the period by approximately \$63,000 (considering the debt forgiveness).

Interest rate and credit risk

The Company has cash balances and significant debt owed to a majority shareholder. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not exposed to interest rate risk, as its convertible loan instrument is subject to fixed interest rates.

Liquidity risk

The Company will depend on the advances provided by Metallorum through the Loan Agreement and the Subsidiary Agreement. The liquidity risk relates to the low cash position and the dependence on these advances. See Note 1 for further discussion regarding liquidity risks.

12. Capital Disclosures

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company's main source of funds will be from the funds received from Metallorum (Notes 1 and 7).

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash and cash equivalents to include amounts held in banks. The Company places its cash with institutions of high credit worthiness. On September 30, 2017, the Company had cash of \$18,882 (December 31, 2016 – \$10,636).

The Company is not subject to any externally imposed capital requirements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars except where indicated)

13. Subsequent events:

Subsequent to September 30, 2017, the Company has:

- a) Entered into the Loan Agreement and the Subsidiary Agreement with Metallorum, both with effect as of August 1, 2017 (Note 7);
- b) received an additional amount of \$30,000 pursuant to the Loan Agreement;
- c) received an additional approximate amount of \$100,600 pursuant to the Subsidiary Agreement;
- d) on October 30, 2017, the Company into an exploration and evaluation agreement with Minera Auricup, S.de R.L. ("Auricup") for exclusive access to conduct exploration and evaluation of the merits of a mineral concession (the "Evaluation Agreement") of Auricup's Baviácora concession (the "Concession"), located in the state of Sonora, Mexico.

Under the terms of the Evaluation Agreement, the Company will pay for outstanding mineral rights of the Concession, will have exclusive access rights for a period of six months, and will obtain a minimum 15% ownership stake in the Concession. The starting of the six-month initial evaluation and exploration term is subject to Auricup negotiating the land access rights with the local communal land administration. If, for any reason, such access rights are not successfully negotiated within 120 days of the date of Evaluation Agreement, the Company has the option of demanding full repayment, or to obtain a similar stake in a different but equivalent mineral concession owned by Auricup. Should the initial exploration and evaluation under the present agreement be successful, the Company, at its sole option, has the exclusive right to negotiate an agreement to acquire a further interest in the Concession.

The Company paid the outstanding Concession's maintenance fees of MXN \$1,431,671 (approximately \$95,000) as consideration for the evaluation rights. The Company drew down on its Subsidiary Agreement for the Concession payment; and

- e) subsequent to September 30, 2017, the Subsidiary was refunded by Soluciones by the amount of MXN \$3,002,273 pursuant to the Mandate (Note 10), which was stated as due from related party in the amount of CAD \$206,196 on the condensed consolidated statement of financial position, thus settling the receivable in full.

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