# GFM RESOURCES LIMITED

(An exploration-stage company)

Form 51-102F1

***Management's Discussion & Analysis***

December 31, 2017

*This Management's Discussion & Analysis ("MD&A") of GFM Resources Limited (the "Company") is for the year ended December 31, 2017, and up to the date of this report, and it should be read together with the consolidated financial statements for the year ended December 31, 2017 and 2016, and the related notes (the "Financial Statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS").*

*Unless otherwise indicated, all amounts are expressed in Canadian dollars.*

## 1.- Date of this report: February 27, 2018.

## 2.- Overall Performance and events

### a) Description of Business

GFM Resources Limited is an emerging mineral exploration company focused on the acquisition and development of high-potential exploration properties in Mexico and Latin America. Its shares are listed on the NEX Board of the TSX Venture Exchange ("TSX-V") under the symbol GFM.H. The Company was incorporated under the laws of British Columbia, Canada in 1987. During the year ended December 31, 2000, the Company continued its operation into the Yukon Territory, Canada, under the Business Corporation Act of Yukon, and registered as an extra-provincial company in British Columbia under the laws of British Columbia.

On June 30, 2017, Metallorum Holding, S.A.P.I. de C.V. ("Metallorum"), a private Mexican company controlled by Mr. José Antonio Rivero Larrea, a director of the Company, agreed to purchase 16,370,215 common shares of the Company, then owned by Compañía Minera Autlán, S.A.B. de C.V. ("Autlan"), in a private transaction at a price of $0.0161 per common share. Mr. Rivero Larrea controls both Autlan and Metallorum in approximately the same proportion and, accordingly, there was no change in control of the Corporation, as Mr. Rivero Larrea will continue to be the Corporation's majority beneficial shareholder. This transaction was a result of a re-organization of Mr. Rivero Larrea's holdings.

Metallorum is in the business of acquiring, developing and operating precious metal projects and assets in Mexico and North America, and owns a gold-producing mine in the state of Sonora, Mexico.

### b) Financings

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 the controlling entity of Autlan), and amended on September 30, 2007. Subsequently the ownership of the Convertible Loan was transferred to Autlan. Under the terms of the Convertible Loan, Autlan 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.

In accordance with International Accounting Standard ("IAS 32"), *Financial Instruments: Presentation*, and IAS 39, *Financial Instruments: Recognition and Measurement*, the convertible loan had two components on the statement of financial position:

i) a liability component, calculated as the discounted value of the complete obligation to Autlan at the end of the five-year convertibility term, discounted at a rate equivalent to a commercial rate for the loan if it had no convertibility option; the discount rate used was 15%. The liability component also included the interest accrued to date and an accretion of the equity component; and

ii) an equity component, calculated as the difference between the discounted value of the complete obligation to Autlan and the principal amount owed.

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, and also the debt owed to Autlan by the Company's Mexican subsidiary, GFM Resources de México, S.A. de C.V. (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.

Subsequent to Metallorum becoming the majority shareholder, on November 17, 2017:

- The Company entered into a loan agreement (the "Loan Agreement] with Metallorum with retroactive 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 December 31, 2017, the Company borrowed USD $66,176 (CAD $80,000) and has accrued interest of USD $707 (CAD $894) at a weighted-average interest rate of 3.32% under the Loan Agreement. As at December 31, 2017, the Company owed Metallorum $83,905 under this agreement. Subsequent to December 31, 2017, the Company has borrowed an additional $36,172 under the Loan Agreement.

- Metallorum entered into a separate loan agreement with the Subsidiary (the "Subsidiary Agreement"), with retroactive 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 December 31, 2017, the Subsidiary borrowed MXN $1,864,330 ($125,620) and has accrued interest of MXN $31,838 ($2,139) at a weighted-average interest rate of 9.44%. As at December 31, 2017, the Company owed Metallorum $121,301 under this agreement. Subsequent to December 31, 2017, the Subsidiary has received an additional $37,900 under the Subsidiary Agreement.

The following table summarizes the new loans with Metallorum (expressed in Canadian dollars):

| | Principal received $ | Accrued Interest $ | Mexican value-added tax ("IVA") $ | Foreign exchange adjustment $ | Total due $ |
|---|---|---|---|---|---|
| Loan Agreement | 80,000 | 894 | - | 3,011 | 83,905 |
| Subsidiary Agreement | 125,620 | 2,139 | 325 | (6,783) | 121,301 |
| Balance, December 31, 2017 | 205,620 | 3,033 | 325 | (3,772) | 205,206 |

c) Board and Officers

As at the date of this MD&A, the following are the Directors and Officers of the Company:

| | | |
|---|---|---|
| José Antonio Rivero Larrea | Director, Chairman of the Board | (Mexico) |
| José Antonio Rivero González | Director, President and Chief Executive Officer | (Mexico) |
| James Robertson, P.Eng. | Director, Audit Committee Chair | (Vancouver) |
| Horacio Alcocer [1] | Director | (Mexico) |
| Salvador Miranda | Chief Financial Officer & Corporate Secretary | (Vancouver) |

1. Mr. Horacio Alcocer was elected to the board of directors at the Company's annual general meeting of shareholders held on September 20, 2017.
2. Mr. Erik C. Jurgensen resigned from the board on November 30, 2017 due to retirement.

## d) Mineral exploration

On May 13, 2008, the Company entered into a formal Purchase and Sale Agreement (the "Property Agreement") to acquire from Grupo the "La Casita" mineral property, formerly known as El Rodeo property ("the Acquisition") in the State of Durango, Mexico.

The Company is keeping the property under care and maintenance, with related costs charged to the consolidated statement of income (loss). The conclusions from earlier exploration programs on the property indicated that further exploration would be merited. The Company is analyzing different possibilities for this property, as well as considering other mineral properties as possible acquisition targets. During the year ended December 31, 2017, the company paid $24,054 for the maintenance of the La Casita property.

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. The Concession is a gold and silver target of approximately 4,400 hectares with some historical works that provided results that warranted further evaluation by the Company, although there are no prior geological studies or results supported under National Instrument 43-101.

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 Auricup's outstanding Concession's maintenance fees of $98,875 as consideration for the evaluation rights. The Company drew down on its Subsidiary Agreement for this payment.

On November 17, 2017, the Subsidiary entered into a Mandate and Indemnity Agreement (the "Mandate") with Soluciones y Reparaciones Domésticas, S.A. de C.V. ("Soluciones"), an affiliate company also controlled by Metallorum, with retroactive effect as of August 14, 2017. Soluciones had entered into an agreement to acquire certain mineral concessions in Mexico from another affiliate company; however, Soluciones does not have the corporate capacity to hold mineral concessions and, therefore, requested the Subsidiary to hold these concessions on its behalf. Pursuant to the Mandate, Soluciones will pay and indemnify the Subsidiary for all costs and liabilities associated with the holding of these concessions. During the year ended December 31, 2017, the Company paid $214,632 on behalf of Soluciones, and was reimbursed by Soluciones for this amount, with nil cash effect

## 3.- Selected annual information

| | Years ended December 31 | | |
|---|---|---|---|
| | 2017<br>$ | 2016<br>$ | 2015<br>$ |
| Interest expense on convertible loan with Autlan (forgiven June 30, 2017) | (11,977) | (22,011) | (18,166) |
| Interest on Loan Agreement and Subsidiary Agreement with Metallorum | (3,033) | - | - |
| Income (loss) for the year | 1,187,211 | (223,057) | (236,274) |
| Per share, basic & diluted | 0.06 | (0.01) | (0.01) |
| Total comprehensive income (loss) for the year | 1,136,548 | (92,387) | (249,320) |
| Per share, basic & diluted | 0.06 | (0.00) | (0.01) |
| Total assets | 23,750 | 12,984 | 8,885 |
| Total liabilities | 246,125 | 1,395,463 | 1,349,515 |
| Shareholders' deficiency | (222,375) | (1,382,479) | (1,340,630) |
| Cash dividends declared | Nil | Nil | Nil |

The net income for 2017 results from the forgiveness of the Convertible Loan with Autlan, as explained in Section 2(b). The interest accrued (and forgiven) corresponded only to the six months ended June 30, 2017, date of the forgiveness. This forgiveness also results in a considerable reduction of the total liabilities and of the shareholders' deficiency as compared to previous years.

## 4.- Results of Operations

### *Fiscal year:*

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017 $** | **% of expenses** | 2016 $ | % of expenses | % change |
| **Cash expenses** | | | | | |
| Property examination costs | **122,929** | **43.46%** | 24,053 | 17.68% | 411.08% |
| Administration and accounting | **60,000** | **21.21%** | 60,000 | 44.10% | 0.00% |
| Audit and legal | **44,569** | **15.76%** | 24,726 | 18.17% | 80.25% |
| Directors' fees | **27,145** | **9.60%** | 12,000 | 8.82% | 126.21% |
| Filing and transfer agent fees | **17,352** | **6.13%** | 12,515 | 9.20% | 38.65% |
| Office and sundry | **10,849** | **3.84%** | 2,760 | 2.03% | 293.08% |
| | **282,844** | **100.00%** | 136,054 | 100.00% | 107.89% |
| **Non-cash (income) expenses** | | | | | |
| Accretion of convertible loan | **35,246** | | 64,261 | | |
| Interest on loans | **15,010** | | 22,011 | | |
| Foreign exchange loss | **2,591** | | 731 | | |
| Write-down of value added tax recoverable | **(404)** | | - | | |
| Forgiveness of debt | **(1,522,498)** | | - | | |
| | **(1,470,055)** | | 87,003 | | |
| **Income (loss) for the period** | **1,187,211** | | (223,057) | | |
| Exchange differences on translating foreign operations, net of tax | **(50,663)** | | 130,670 | | |
| **Total comprehensive income (loss) for the period** | **1,136,548** | | (92,387) | | |

The significant amounts from the comparative periods were as follows:

- Property examination increased significantly due to the Company entering into the Evaluation Agreement mentioned in Section 2(d), assuming the costs of maintaining the related claims in good standing for the duration of the agreement. The costs for maintaining the Company's own mineral claims has remained approximately unchanged.
- Administration and accounting consists of a monthly fee paid to a company controlled by the Chief Financial Officer of the Company.
- Audit and legal fees were higher as a result of legal counsel assistance in the preparation of several agreements entered into during the year, such as the loan Forgiveness Agreement with Autlan, the Loan Agreement and Subsidiary Agreement with Metallorum, and the Evaluation agreement, while there was no such activity during the comparative period of the previous year.
- Directors' fees: a monthly stipend is paid to a director of the Company in his capacity of Chair of the Audit Committee. In addition, during 2017 a one-time stipend of $15,145 was paid to a former director who retired after many years of service to the Company.
- Filing and transfer agent fees were also higher due to the election of a new director.
- Office and sundry expenses increased due to travelling requirements and increased activity for the preparation of agreements, etc.
- The accretion and interest expenses related to the Convertible Loan only covered six months of 2017, as the Convertible Loan amounts were forgiven on June 30, 2017. The debt forgiveness amount causes the Company to have a net income for the year.

### *Last fiscal quarter:*

| | Three months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017** | **% of** | 2016 | % of | |
| | **$** | **expenses** | $ | expenses | % change |
| **Cash expenses** | | | | | |
| Property examination costs | **104,437** | **59.49%** | - | 0.00% | n/a |
| Audit and legal | **21,537** | **12.27%** | 5,106 | 19.70% | 321.80% |
| Directors' fees | **18,145** | **10.34%** | 3,000 | 11.57% | 504.83% |
| Administration and accounting | **15,000** | **8.55%** | 15,000 | 57.88% | 0.00% |
| Filing and transfer agent fees | **9,733** | **5.54%** | 2,255 | 8.70% | 331.62% |
| Office and sundry | **6,683** | **3.81%** | 558 | 2.15% | 1097.67% |
| Total cash expenses | **175,535** | **100.00%** | 25,919 | 100.00% | 577.24% |
| **Non-cash expenses** | | | | | |
| Interest on loans | **2,664** | | 5,838 | | |
| Foreign exchange loss | **1,643** | | (176) | | |
| Accretion of convertible loan | **-** | | 17,122 | | |
| Write-down of value added tax recoverable | **(404)** | | - | | |
| Total non-cash expenses | **3,903** | | 22,784 | | |
| **Income (loss) for the period** | **(179,438)** | | (48,703) | | |
| Exchange differences on translating foreign operations, net of tax | **8,193** | | 23,276 | | |
| **Total comprehensive income (loss) for the period** | **(171,245)** | | (25,427) | | |

As explained above, property examination costs increased as a result of the Company entering into the Evaluation Agreement (Section 2(d)). The associated legal fees, and those related to the new loan agreements with Metallorum also increased as compared to the last quarter of 2016.

Directors fees include the one-time retirement stipend for the director who resigned on November 30, 2017.

Filing fees and office expenses increased for the reasons cited above, all of which took place during the last quarter of 2017.

## 5.- Summary of quarterly results:

| | Quarter ended (three-month figures) ($) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31-Dec 2017 | 30-Sep 2017 | 30-Jun 2017 | 31-Mar 2017 | 31-Dec 2016 | 30-Sep 2016 | 30-Jun 2016 | 31-Mar 2016 |
| Loss before other expenses | (177,178) | (39,392) | (30,715) | (38,150) | (25,743) | (41,462) | (31,310) | (38,270) |
| Per share, basic and diluted | (0.01) | (0.00) | (0.00) | (0.00) | (0.00) | (0.01) | (0.00) | (0.00) |
| Income (loss) for the period | (179,438) | (39,761) | 1,467,605 | (61,195) | (48,703) | (63,754) | (52,501) | (58,099) |
| Per share, basic and diluted | (0.01) | (0.00) | 0.08 | (0.00) | (0.00) | (0.01) | (0.00) | (0.00) |
| Other comprehensive income (loss) | 8,193 | - | (8,804) | (50,052) | 23,276 | 22,034 | 42,246 | 43,114 |
| Per share, basic and diluted | 0.00 | (0.00) | (0.00) | (0.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Total comprehensive income (loss) | (171,245) | (39,761) | 1,458,801 | (111,247) | (25,427) | (41,720) | (10,255) | (14,985) |
| Per share, basic and diluted | (0.01) | (0.00) | 0.08 | (0.01) | (0.00) | (0.00) | (0.00) | (0.00) |
| Total assets | 23,750 | 233,816 | 9,682 | 6,374 | 12,984 | 34,738 | 21,903 | 6,769 |
| Total liabilities | 246,125 | 284,946 | 21,051 | 1,487,251 | 1,395,463 | 1,391,790 | 1,353,510 | 1,351,677 |
| Shareholders' deficiency | (222,375) | (51,130) | (11,369) | (1,480,877) | (1,382,479) | (1,357,052) | (1,331,607) | (1,344,908) |
| Cash dividends declared | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

The more notable item took place during the June 30, 2017 quarter, with the execution of the Loan Forgiveness agreement with Autlan, resulting in a significant net income, and a considerable reduction of the total liabilities.

During the fourth quarter of 2017, the mineral property Evaluation Agreement caused an increase in expenses as compared to previous quarters, together with increased legal and filing fees explained in Section 4, above.

## 6.- Liquidity and Working Capital

| | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | **21,360** | 10,636 |
| Accounts receivable (Canadian GST) | **2,198** | 1,098 |
| Prepaid expenses and deposits | **192** | 1,250 |
| Accounts payable and accrued liabilities | **(33,156)** | (15,934) |
| Amounts due to related parties | **(7,763)** | (6,398) |
| Loans with related party | **(205,206)** | (570,262) |
| Liability component of convertible loan | **-** | (802,869) |
| Working capital deficiency: | **(222,375)** | (1,382,479) |

As explained in above sections, the significant reduction in the working capital deficit was due to the Loan Forgiveness with Autlan, reducing *Amounts due to related parties* and the Liability component of convertible loan lines. The *Loans with related party* refers to the Loan Agreement and the Subsidiary Agreement with Metallorum.

Given the present level of ongoing obligations and expenses, the Company must rely on the continued financial support from Metallorum in order to meet its operational obligations for the foreseeable future.

## 7.- Capital resources

The Company's ability to raise additional funds from the equity markets will largely depend upon general market conditions, and the Company's ability to acquire new properties and to achieve certain exploration milestones. In order to attain these objectives and to meet its operational obligations, the Company will continue to rely on the financial support from 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.

## 8.- Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, and no contingent liabilities or other obligations.

## 9.- Transactions with Related Parties

The following transactions with related parties took place:

| Years ended December 31: | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| Management fees paid to InterAmerica Consulting & Development Inc. ("InterAmerica"), a company controlled by Mr. Salvador Miranda, the Chief Financial Officer of the Company: | **60,000** | 60,000 |
| Office rent paid to InterAmerica: | **600** | 600 |
| Director's fees include $12,000 (2016 - $12,000) paid to Midas Management Inc. ("Midas"), a company controlled by Mr. James Robertson, a director of the Company and chairman of its audit committee, and $:15,145 as a one-time payment to Mr. Erik Jurgensen upon his retirement (2016 - nil). | **27,145** | 12,000 |
| Amounts advanced by Autlan under the convertible loan agreement (Note 6 to the Financial Statements): | **55,000** | 118,000 |
| Amounts provided by Autlan to the Company's subsidiary in order for it to pay for the mineral rights of La Casita, and meet other local obligations: | **10,943** | 24,106 |
| Interest accrued on Convertible Loan before forgiveness: | **11,977** | 22,011 |
| Debt forgiveness of liability component of Convertible Loan by Autlan, including interest | **1,522,498** | - |
| Debt forgiveness by Autlan of equity component of Convertible Loan charged to contributed surplus | **363,206** | - |
| Advances from Metallorum pursuant to the new Loan Agreement with Metallorum (Section 2(b) above) | **80,000** | - |
| Advances from Metallorum pursuant to the Subsidiary Agreement as explained in Section 2(b) above. | **125,620** | - |
| Interest accrued on Metallorum advances | **3,033** | - |

The following amounts were due to related parties:

| As at: | **December 31, 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 to the Financial Statements): | **-** | 933,712 |
| Amounts owed to Metallorum pursuant to Loan Agreement | **83,905** | - |
| Amounts owed to Metallorum pursuant to Subsidiary Agreement | **121,301** | - |
| Amounts due to InterAmerica in management fees and reimbursable expenses: | **5,663** | 5,348 |
| Director's fees owed to Midas: | **2,100** | 1,050 |
| | **212,969** | 1,510,372 |

Management is of the opinion that these transactions have occurred in the normal course of operations and they are measured at the exchange amount, being the amount of consideration established and agreed to by the transacting parties.

## 10.- Proposed Transactions

There are no specific proposed transactions as at the date of this MD&A. The Company is examining several properties as potential acquisition targets.

## 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 to the Financial Statements *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 December 31, 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 $13,000, and its net loss for the year by approximately $50,000.

*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. The Company exposed to interest rate risk on its loans with a related party as detailed in Note 7 to the Financial Statements. A change 1% change in interest rate would affect the interest by approximately $500 based on the principal outstanding as at December 31, 2017.

*Liquidity risk*

The Company will depend on the advances provided by Metallorum through the Loan Agreement and the Subsidiary Agreement (Note 7 to the Financial Statements and Section 2(b) above). The liquidity risk relates to the low cash position and the dependence on these advances. See Note 1 to the Financial Statements for further discussion regarding liquidity risks.

## 12.- Management's Responsibility over Financial Information

The Company's management is responsible for presentation and preparation of the quarterly and annual consolidated financial statements and the MD&A. The Financial Statements have been prepared in accordance with IFRS.

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators ("CSA").

The quarterly and annual consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the consolidated financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

## 13.- Risk Factors.

Development-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting to assist in its risk management and to make timely adequate decisions.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. Regarding the properties under the option agreement described in Section 2, Metallorum has provided reasonable assurance that its mineral properties' titles are in good standing.

The price of the commodities being explored is also a significant risk factor, as a substantial decline in their price could result in a decision to abandon a specific project.

Environmental laws and regulation could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

At the present time, the Company has no rights to a property of merit, and therefore its ability to raise capital is limited, having to rely on funding provided by Metallorum to meet its obligations, including the search for a property of merit.

Finally, operating in a specific country has legal, political and currency risk that must be carefully considered to ensure their level is commensurate to the Company's assessment of the project.

## 14.- Forward-Looking Statements

Certain statements made and information contained in this MD&A and elsewhere constitute "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors in each MD&A.

In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long-term price of gold, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Mexico will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

## 15. - Other MD&A requirements

a) The Company, as a "venture issuer", is not required to prepare an Annual Information Form at this stage.

   Copies of all previously published financial statements, management discussions, meeting materials, etc., are available on the CSA's System for Electronic Document Analysis and Retrieval website at www.sedar.com. Other Company information is available on its website at www.gfm-resources.com.

b) Information pursuant to sections of National Instrument 51-102:

   i) Section 5.3: Please refer to Sections 3 and 4 above, and to the consolidated statements of loss and comprehensive loss included with the Financial Statements, and Notes 3(f) and Note 10 thereto.

   ii) Section 5.4: Share Capital: please refer to Note 6 to the Financial Statements.

   As at the date of this MD&A, the Company has the following securities:

   - Common shares, issued and outstanding: 19,085,071.
   - Stock options or warrants: nil.

On behalf of the Board

**GFM Resources Limited**

*"José Antonio Rivero González"*

José Antonio Rivero González, President and Chief Executive Officer

* * * * *