



GFM RESOURCES LIMITED

(An exploration-stage company)

Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

Index

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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, 2020 (Unaudited)	December 31, 2019 (Audited)
	Note	\$	\$
ASSETS			
Current			
Cash and cash equivalents		31,076	30,326
Accounts receivable	4	1,516	1,195
Prepaid expenses and deposits		1,545	1,320
Advance payment of mineral concessions	9	6,047	-
		40,184	32,841
Mexican value-added tax recoverable or credit	4	10,259	-
Mexican income tax prepayments	4	26,199	-
		76,642	32,841
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5	13,964	20,063
Due to related parties	8	7,395	7,448
Loans with related party	6, 8	933,184	766,848
		954,543	794,359
SHAREHOLDERS' DEFICIENCY			
Share capital	7	3,484,022	3,484,022
Contributed surplus		870,442	870,442
Foreign currency reserve		145,407	103,208
Deficit		(5,377,772)	(5,219,190)
		(877,901)	(761,518)
		76,642	32,841
Nature of operations and going concern uncertainty	1		
Subsequent event	14		

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

Approved by the board of directors and authorized for issue on October 28, 2020

"James Robertson"

Director

"Horacio Alcocer"

Director

GFM RESOURCES LIMITED

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2020 \$	2019 \$	2020 \$	2019 \$
EXPENSES					
Administration and accounting	8	15,000	15,000	45,000	45,000
Audit and legal		6,329	2,999	17,360	12,852
Property examination costs	9	5,947	6,417	18,807	46,890
Filing and transfer agent fees		4,510	4,628	13,177	10,197
Directors' fees	8	6,000	6,000	18,000	18,000
Office and sundry		3,094	561	6,060	2,411
Foreign exchange loss (gain)		(7,903)	4,566	10,911	(5,298)
Loss before other expenses		(32,977)	(40,171)	(129,315)	(130,052)
Other income (expenses)					
Interest on loans	6	(8,476)	(12,356)	(29,267)	(32,677)
Loss for the period		(41,453)	(52,527)	(158,582)	(162,729)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations, net of tax		(6,039)	4,605	42,199	9,914
Total comprehensive loss for the period		(47,492)	(47,922)	(116,383)	(152,815)
Loss per share (basic and diluted)		(0.00)	(0.00)	(0.01)	(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	
		2020	2019
	Note	\$	\$
Operating activities			
Loss for the period		(158,582)	(162,729)
Adjustments for items not involving cash:			
- Non-cash interest on loans	6	29,267	32,677
- Non-cash impact of foreign exchange translation		(7,895)	(9,371)
Changes in non-cash working capital items:			
- Accounts receivable		(321)	(40,016)
- Prepaid expenses and deposits		(225)	153
- Advance payment of mineral concessions	9	(6,047)	(6,547)
- Accounts payable and accrued liabilities		(6,099)	(8,728)
- Value-added tax recoverable	4	(10,259)	-
- Income tax creditable	4	(26,199)	-
- Amounts due to related parties	5, 8	(53)	7,448
Cash used in operating activities		(186,413)	(187,113)
Cash flows from financing activities			
Loans from related party	6, 8	187,419	228,905
Cash generated from financing activities		187,419	228,905
Effect of foreign exchange translation on cash		(256)	(161)
Net change in cash		750	41,631
Cash, beginning of the period		30,326	15,056
Cash, end of the period		31,076	56,687
Supplementary information with respect to cash flows	12		
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

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

	Share capital		Contributed surplus	Foreign currency reserve	Deficit	Total
	Amount	Value				
	#	\$				
Balance, December 31, 2018	19,085,071	3,484,022	870,442	100,998	(4,963,666)	(508,204)
Comprehensive loss for the period	-	-	-	9,914	(162,729)	(152,815)
Balance, September 30, 2019	19,085,071	3,484,022	870,442	110,912	(5,126,395)	(661,019)
Comprehensive loss for the period	-	-	-	(7,704)	(92,795)	(100,499)
Balance, December 31, 2019	19,085,071	3,484,022	870,442	103,208	(5,219,190)	(761,518)
Comprehensive loss for the period	-	-	-	42,199	(158,582)	(116,383)
Balance, September 30, 2020	19,085,071	3,484,022	870,442	145,407	(5,377,772)	(877,901)

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

GFM RESOURCES LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Nine months ended September 30, 2020 and 2019
(Unaudited - 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 is in one operating segment, namely mineral exploration in Mexico.

These condensed consolidated interim 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, 2020	December 31, 2019
	\$	\$
Deficit	(5,377,772)	(5,219,190)
Working capital deficiency:	(914,359)	(761,518)

The Company is controlled by Compañía Minera Autlán, S.A.B. de C.V. ("Autlan"), of Mexico, in turn controlled by a director of the Company. 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 controlling shareholder, Autlan. 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.

Furthermore, the COVID-19 pandemic has negatively impacted global financial markets and may continue to do so. The economic viability of the Company's business plan could be impacted by its ability to obtain financing, and global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

In addition, as the health and safety of the Company's employees, contractors, visitors, and stakeholders are the Company's top priority, the Company will monitor developments with respect to COVID-19, both globally and within its operating jurisdictions, and will implement any such changes to its business as may be deemed appropriate to mitigate any potential impacts to its business and the stakeholders. Such changes, may include, but are not limited to, temporary closures of the Company's activities or offices, and deviations from the timing and nature of previous business plans.

These condensed consolidated interim 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian dollars except where indicated)

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, 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors for issue on October 28, 2020.

(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, 2019.

3. Significant Accounting Policies

The accounting policies followed for the preparation of these condensed consolidated interim financial statements are consistent with those described in the December 31, 2019, annual consolidated financial statements.

4. Accounts Receivable and Mexican Income Tax Prepayments

	September 30, 2020	December 31, 2019
	\$	\$
Canadian GST receivable (i)	1,516	1,195
Mexican value added tax (IVA) (ii)	10,259	-
Mexican income tax (ISR) prepayment (iii)	26,199	-
Total	37,974	1,195

(i) The company files its Goods and Services Tax (GST) returns with the Canada Revenue Agency on a quarterly schedule.

(ii) Value-added-tax in Mexico ("Impuesto al Valor Agregado" – "IVA") is charged at a rate of 16%, and can be credited to any amounts of IVA payable or claimed back from the tax authorities, but only when the invoices that gave rise to it have been effectively paid by the Company. Most of this figure corresponds to IVA on the interest portion of the Subsidiary Agreement (Note 6) invoiced by Autlan to the Company. In Mexico, interest charged by non-financial institutions, such as Autlan, is subject to IVA. As there is no set date for the payment of such interest, the IVA is not treated as a current asset.

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4. Accounts Receivable (cont'd...)

(iii) The Company has generated losses during its years of operation with the exception of 2017 when Autlan forgave the Company's debt up to June 30, 2017. While the cumulative losses of prior and later years have resulted in no income taxes payable, certain invoicing transactions between the Company's Mexican subsidiary (the "Subsidiary") and Metallorum Prospección, SAPI de CV ("Prospección") pursuant to a Mandate (Note 8) triggered the requirement of a cash prepayment of interim income taxes in Mexico (Impuesto Sobre la Renta "ISR") for the Subsidiary, based on a coefficient determined by the net income of 2017, even though the Mandate transaction has not generated income for the Subsidiary. The Subsidiary is expected to be able to claim this prepayment back at the time of filing its 2020 income tax return. The Company will strive to terminate the Mandate as soon as feasible to avoid these interim tax prepayments in cash in the future.

During the year ended December 31, 2019, the Company wrote off \$8,603 of IVA and \$40,393 of ISR prepayments for a total write-off of \$48,996. Should the Company be able to recover these amounts, they would be treated as revenues on the Company's consolidated statement of loss and comprehensive loss. For the purpose of carrying out the above-mentioned prepayment of interim income taxes, the Company drew down on its Subsidiary Agreement (Note 6) during the nine months ended September 30, 2020.

5. Accounts Payable and Accrued Liabilities

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

	September 30, 2020	December 31, 2019
	\$	\$
Trade payables	-	1,836
Accrued liabilities	13,964	18,227
Total	13,964	20,063

6. Loans with related party

On November 17, 2017, the Company entered into a loan agreement (the "Loan Agreement") with Autlan (formerly with Metallorum Holdings, S.A.P.I. de C.V., which was acquired by Autlan in 2018), with effect from August 1, 2017. Under the terms of the Loan Agreement, Autlan would 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. During the nine months ended September 30, 2020, the weighted-average interest rate was 2.65% (2019 – 4.39%).

Also on November 17, 2017, Autlan 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, Autlan would 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 (TIE 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. During the nine months ended September 30, 2020, the weighted-average interest rate was 8.13% (2019 – 10.45%).

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6. Loans with related party (cont'd...)

The following is a summary of the loans with Autlan:

	Principal received \$	Accrued Interest \$	Mexican value- added tax ("IVA") \$	Foreign exchange adjustment \$	Total due \$
Balance, December 31, 2018	456,799	28,083	2,338	21,957	509,177
Loan Agreement	134,300	10,579	-	(9,528)	135,351
Subsidiary Agreement	94,605	22,098	2,167	(12,165)	106,705
Balance, September 30, 2019	685,704	60,760	4,505	264	751,233
Loan Agreement	-	3,658	-	(7,676)	(4,018)
Subsidiary Agreement	-	8,003	2,589	9,041	19,633
Balance, December 31, 2019	685,704	72,421	7,094	1,629	766,848
Loan Agreement	123,486	8,489	-	7,304	139,279
Subsidiary Agreement	63,933	20,778	2,258	(59,912)	27,057
Balance, September 30, 2020	873,123	101,688	9,352	(50,979)	933,184

7. Share Capital

a) Authorized capital

The Company is authorized to issue an 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, 2020 and December 31, 2019. No common shares were issued during the nine months ended September 30, 2020 or during the fiscal year ended December 31, 2019.

c) Warrants

There were no warrants outstanding as of September 30, 2020 (2019 – 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 June 19, 2019. 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.

There were no stock options outstanding as of September 30, 2020 (2019 – Nil).

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8. Related party transactions

During the nine months ended September 30, 2020 and 2019, 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:	2020	2019
	\$	\$
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	900	450
Director's fees	18,000	18,000
Advances pursuant to Loan Agreement ⁽ⁱ⁾	123,486	134,300
Advances pursuant to Subsidiary Agreement ⁽ⁱⁱ⁾	63,934	94,605
Interest accrued on advances ^(i,ii)	29,267	32,677

⁽ⁱ⁾ Pursuant to the Loan Agreement with Autlan (Note 6).

⁽ⁱⁱ⁾ Pursuant to the Subsidiary Agreement with Autlan (Note 6).

In addition, during 2018 the Subsidiary entered into a Mandate and Indemnity Agreement (the "Mandate") with Metallorum Prospección, S.A.P.I. de C.V. ("Prospección"), an affiliate company also controlled by Autlan, with retroactive effect as of August 14, 2017. Prospección had entered into an agreement to acquire certain mineral concessions in Mexico from another affiliate company; however, Prospección 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, Prospección will pay and indemnify the Subsidiary for all costs and liabilities associated with the holding of these concessions while it addresses the deficiency in its corporate capacity.

During the nine months ended September 30, 2020, the Company paid \$224,912 on behalf of Prospección, and was immediately reimbursed by Prospección for this amount, with nil cash effect (2019 – \$776,304).

The amounts and loans due to related parties are as follows:

As at:	September 30, 2020	December 31, 2019
	\$	\$
Amounts owed to Autlan pursuant to Loan Agreement (Note 6):	530,852	391,572
Amounts owed to Autlan by Subsidiary pursuant to Subsidiary Agreement (Note 6):	402,332	375,276
Management fees and reimbursable expenses owed to a company controlled by an officer of the Company:	5,295	5,348
Directors' fees owed to a company controlled by a director of the Company:	2,100	2,100
	940,579	774,296

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9. Property examination costs

The Company holds title to three mineral concessions in the state of Durango, Mexico ("La Casita" group of concessions), for which it is paying the semi-annual concession maintenance fees.

During 2018, the Subsidiary entered into an agreement with owners of the surface rights where La Casita's claims are located (the "Ejido") to secure land access through monthly payments of MXN \$100,000 (approximately \$6,900) plus 16% Mexican value added tax ("IVA") for a period of six months, in order to conduct surface geological sampling. During the nine months ended September 30, 2020, the Company paid the *Ejido* MXN \$nil (2019 – MXN \$232,000, approximately equivalent to \$13,024).

During the year ended December 31, 2019, the Company issued a bid to the Mexican mining authorities for the potential acquisition of the Dany II concession in the state of Guanajuato, Mexico. The Company's majority shareholder, Autlan, owns other concessions in this area. While the bid was successful, the Mexican Ministry of Mines in Mexico has not issued the concession title. Furthermore, there is no assurance that the Mexican Ministry of Mines will extend issue new concession titles, in which case the Company would attempt to request a refund. If the title is issued, the Company will add this concession to its portfolio of properties for potential exploration.

The summary of property examination costs is as follows:

	Prepaid amount		Expensed	
	As at		Nine months ended September 30	
	September 30, 2020	December 31, 2019	2020	2019
	\$	\$	\$	\$
La Casita - concession fees	6,047	-	18,807	19,604
La Casita - surface access	-	-	-	13,814
Dany II concession - bidding	-	-	-	12,160
Other exploration				1,312
	6,047	-	18,807	46,890

The Company drew down on its Subsidiary Agreement for the above-mentioned payments.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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10. Financial instruments

With the adoption of IFRS 9, the Company has classified cash, accounts receivables, accounts payable and accrued liabilities, value-added tax payable, due to related parties and loans with related party at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

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, 2020, 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 \$42,000 (December 31, 2019 - \$26,000), and its net loss for the year by approximately \$5,000 (December 31, 2019 - \$2,000).

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 6. A change 1% change in interest rate would affect the interest by approximately \$12,500 based on the principal outstanding as at September 30, 2020.

Liquidity risk

The Company will depend on the advances provided by Autlan through the Loan Agreement and the Subsidiary Agreement (Note 6). The liquidity risk relates to the low cash position and the dependence on these advances. See Note 1 for further discussion regarding liquidity risks

11. 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 is from the funds received from Autlan as a part of the Loan Agreement and the Subsidiary Agreement (Notes 1 and 6).

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, 2020, the Company had cash of \$31,076 (December 31, 2019 - \$30,326).

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

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12. Supplementary information with respect to cash flows

The following table provides a reconciliation of cash and non-cash related-party liabilities generated from financing activities:

	Balance	Cash		Non-cash	Balance
	December 31, 2018	Advances	Interest and tax	Foreign exchange	September 30, 2019
	\$	\$	\$	\$	\$
Loans with related party	509,177	135,066	20,278	(19,571)	644,950
	September 30, 2019	Advances	Interest and tax	Foreign exchange	December 31, 2019
	\$	\$	\$	\$	\$
Loans with related party	644,950	93,839	24,092	3,967	766,848
	December 31, 2019	Advances	Interest and tax	Foreign exchange	September 30, 2020
	\$	\$	\$	\$	\$
Loans with related party	766,848	187,419	29,267	(50,350)	933,184

13. Segmented Information

The Company is in one segment, namely mineral exploration in Mexico, with administration in two geographical regions, namely Canada and Mexico

14. Subsequent events

Subsequent to September 30, 2020, the Company:

- received an additional amount of \$85,385 (USD \$65,000) pursuant to the Loan Agreement;
- repaid Autlan an amount of \$25,549 (US \$19,445) in interest due pursuant to the Loan Agreement; and
- funded its Mexican subsidiary with \$59,980 (MXN \$953,136) for the repayment of interest due to Autlan pursuant to the Subsidiary Agreement, including value-added tax on such interests.

* * * * *