



GFM RESOURCES LIMITED

(An exploration-stage company)

Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2022 and 2021

(Unaudited - 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, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
	Note		
ASSETS			
Current			
Cash and cash equivalents		14,800	39,547
Accounts receivable	4	1,366	789
Prepaid expenses and deposits		1,558	1,751
Advance payment of mineral concessions	9	7,573	-
		25,297	42,087
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5	8,992	18,039
Due to related parties	6, 8	7,395	-
Loans with related party	6, 8	1,440,448	1,169,621
		1,456,835	1,187,660
SHAREHOLDERS' DEFICIENCY			
Share capital	7	3,484,022	3,484,022
Contributed surplus		870,442	870,442
Foreign currency reserve		94,201	135,627
Deficit		(5,880,203)	(5,635,664)
		(1,431,538)	(1,145,573)
		25,297	42,087

Nature of operations and going concern uncertainty 1

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, 2022

"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	
		2022	2021	2022	2021
		\$	\$	\$	\$
EXPENSES					
Administration and accounting	8	15,000	15,000	45,000	45,000
Audit and legal		1,838	(3,656)	25,054	17,772
Property examination costs	9	7,186	6,531	21,166	19,356
Filing and transfer agent fees		2,083	4,049	9,378	9,609
Directors' fees	8	6,000	6,000	18,000	18,000
Office and sundry		1,462	1,460	4,593	4,152
Foreign exchange loss (gain)		57,228	21,967	71,466	11,574
Loss before other expenses		(90,797)	(51,351)	(194,657)	(125,463)
Other income (expenses)					
Interest on loans	6	(20,727)	(9,795)	(46,887)	(27,345)
Mexican taxes		(28)	192	(2,995)	795
Loss for the period		(111,552)	(60,954)	(244,539)	(152,013)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations, net of tax		(28,400)	937	(41,426)	10,598
Total comprehensive loss for the period		(139,952)	(60,017)	(285,965)	(141,415)
Loss per share (basic and diluted)		(0.01)	(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

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

		Nine months ended September 30	
	Note	2022	2021
		\$	\$
Operating activities			
Loss for the period		(244,539)	(152,013)
Adjustments for items not involving cash:			
- Non-cash interest accrued on loans	6	46,887	27,345
- Non-cash impact of foreign exchange translation		70,194	5,056
Changes in non-cash working capital items:			
- Accounts receivable		(577)	(221)
- Prepaid expenses and deposits		193	(6,065)
- Advance payment of mineral concessions	9	(7,573)	(6,450)
- Accounts payable and accrued liabilities		(13,301)	(8,173)
- Amounts due to related parties	6, 8	7,395	-
Cash used in operating activities		(141,321)	(140,521)
Cash flows from financing activities			
Loans from related party	6, 8	154,298	201,043
Interest repayment on loan from related party	6	(38,145)	(39,387)
Cash generated from financing activities		116,153	161,656
Effect of foreign exchange translation on cash		421	(70)
Net change in cash		(24,747)	21,065
Cash, beginning of the period		39,547	4,320
Cash, end of the period		14,800	25,385
Supplementary information with respect to cash flows:			
Income taxes paid in cash		-	-
Interest paid in cash including value-added tax	6, 13	(42,399)	(43,679)

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, 2020	19,085,071	3,484,022	870,442	124,615	(5,438,819)	(959,740)
Comprehensive loss for the period	-	-	-	10,598	(152,013)	(141,415)
Balance, September 30, 2021	19,085,071	3,484,022	870,442	135,213	(5,590,832)	(1,101,155)
Comprehensive loss for the period	-	-	-	414	(44,832)	(44,418)
Balance, December 31, 2021	19,085,071	3,484,022	870,442	135,627	(5,635,664)	(1,145,573)
Comprehensive loss for the period	-	-	-	(41,426)	(244,539)	(285,965)
Balance, September 30, 2022	19,085,071	3,484,022	870,442	94,201	(5,880,203)	(1,431,538)

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, 2022 and 2021
(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 1100 – 1111 Melville Street, Vancouver, BC V6E 3V6, Canada.
- Registered records office: Suite 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7, Canada

The Company has a wholly owned subsidiary incorporated under the laws of Mexico, GFM Resources de México, S.A. de C.V. (the “Subsidiary”).

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, 2022	December 31, 2021
	<u>\$</u>	<u>\$</u>
Deficit	(5,880,203)	(5,635,664)
Working capital deficiency:	(1,431,538)	(1,145,573)

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

Nine months ended September 30, 2022 and 2021
(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, 2021.

These condensed consolidated interim financial statements were approved by the Board of Directors for issue on October 28, 2022.

(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, 2021.

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, 2021, annual consolidated financial statements.

4. Accounts Receivable and Mexican Income Tax Prepayments

	September 30, 2022	December 31, 2021
	\$	\$
Canadian GST receivable (i)	1,366	789

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

5. Accounts Payable and Accrued Liabilities

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

	September 30, 2022	December 31, 2021
	\$	\$
Trade payables	34	316
Accrued liabilities	8,958	17,723
Total	8,992	18,039

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Nine months ended September 30, 2022 and 2021
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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, 2022, the weighted-average interest rate was 3.22% (2021 – 2.10%).

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 (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. During the Nine months ended September 30, 2022, the weighted-average interest rate was 9.16% (2021 – 6.43%).

The following is a summary of the loans with Autlan:

	Principal	Interest			Mexican IVA value-added tax (net)	Total
		accrued	repaid	net		
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	917,963	107,058	(85,216)	21,842	2,574	942,379
Loan Agreement	201,043	10,702	(12,564)	(1,862)	-	199,181
Subsidiary Agreement	-	16,643	(26,823)	(10,180)	(4,292)	(14,472)
Foreign exchange adjustment	(7,296)	77	(111)	(34)	1,718	(5,612)
Balance, September 30, 2021	1,111,710	134,480	(124,714)	9,766	-	1,121,476
Loan Agreement	48,993	4,101	(8,175)	(4,074)	-	44,919
Subsidiary Agreement	-	6,076	-	6,076	-	6,076
Foreign exchange adjustment	(4,939)	(611)	788	177	1,912	(2,850)
Balance, December 31, 2021	1,155,764	144,046	(132,101)	11,945	1,912	1,169,621
Loan Agreement	154,298	22,686	(11,565)	11,121	-	165,419
Subsidiary Agreement	-	24,201	(26,580)	(2,379)	(4,254)	(6,633)
Foreign exchange adjustment	108,609	5,846	(4,756)	1,090	2,342	112,041
Balance, September 30, 2022	1,418,671	196,779	(175,002)	21,777	-	1,440,448

During the Nine months ended September 30, 2022, the Company repaid to Autlan all of the remaining interest that was outstanding up to June 30, 2022.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Nine months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian dollars except where indicated)

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, 2022, and December 31, 2021. No common shares were issued during the Nine months ended September 30, 2022, or during the fiscal year ended December 31, 2021.

c) Warrants

There were no warrants outstanding as of September 30, 2022 (2021 – 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 20, 2022. 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, 2022 (2021 – Nil).

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(Unaudited - Expressed in Canadian dollars except where indicated)

8. Related party transactions

During the Nine months ended September 30, 2022 and 2021 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:	2022	2021
	\$	\$
Management fees paid to a company controlled by the Chief Financial Officer of the Company:	45,000	45,000
Director's fees:	18,000	18,000
Advances pursuant to Loan Agreement: ⁽ⁱ⁾	154,298	201,043
Interest accrued on advances: ^(i,ii)	46,887	27,345
Interest repaid on Loan Agreement and Subsidiary Agreement (including Mexican value added tax):	(42,399)	(43,679)

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

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

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

As at:	September 30, 2022	December 31, 2021
	\$	\$
Amounts owed to Autlan pursuant to Loan Agreement (Note 6):	1,052,686	810,601
Amounts owed to Autlan by Subsidiary pursuant to Subsidiary Agreement (Note 6):	387,762	359,020
Management fees and reimbursable expenses owed to a company controlled by an officer of the Company:	5,295	-
Directors' fees owed to a company controlled by a director of the Company:	2,100	-
	1,447,843	1,169,621

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Nine months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian dollars except where indicated)

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 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, 2022	December 31, 2021	2022	2021
	\$	\$	\$	\$
La Casita concession fees	7,573	-	21,166	19,356

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

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, 2022, 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 \$36,000 (September 30, 2021 - \$37,000; December 31, 2021 - \$38,000), and its net loss for the period by approximately \$5,000 (2021 - \$4,000).

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 \$4,800 based on the principal outstanding as at September 30, 2022.

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Nine months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian dollars except where indicated)

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, 2022, the Company had cash of \$ (December 31, 2021 – \$39,547).

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

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	Cash	Non-cash	Balance
	December 31, 2020	Advances	Interest and tax	Interest repayment	Foreign exchange	September 30, 2021
	\$	\$	\$	\$	\$	\$
Loans with related party	942,379	201,043	27,345	(43,679)	(5,612)	1,121,476
	September 30, 2021	Advances	Interest and tax	Interest repayment	Foreign exchange	December 31, 2021
	\$	\$	\$	\$	\$	\$
Loans with related party	1,121,476	48,993	10,177	(8,175)	(2,850)	1,169,621
	December 31, 2020	Advances	Interest and tax	Interest repayment	Foreign exchange	September 30, 2022
	\$	\$	\$	\$	\$	\$
Loans with related party	1,169,621	154,298	46,887	(42,399)	112,041	1,440,448

13. Segmented Information

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

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