



GFM RESOURCES LIMITED

(An exploration-stage company)

Form 51-102F1

Management's Discussion & Analysis

March 31, 2017

This Management's Discussion & Analysis ("MD&A") of GFM Resources Limited (the "Company") is for the three months ended March 31, 2017, and up to the date of this report, and it should be read together with the condensed consolidated interim financial statements for the three months ended March 31, 2017 and 2016 (the "Interim Statements") and with the annual audited consolidated financial statements for the year ended December 31, 2016 and 2015, and the related notes, 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: May 1, 2017.

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's majority shareholder, Compañía Minera Autlán, S.A.B. de C.V. ("Autlan") is a Mexican company listed on the Mexican Stock Exchange and active in manganese and ferroalloy operations in Mexico. The majority beneficial shareholder of Autlan is a director of the Company, who also controls other companies in domains such as electronics, energy, textiles and investment banking.

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.

b) Financings

On March 1, 2007, the Company entered into a convertible Loan Agreement (the "Loan Agreement") 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 loan was transferred to Autlan. Under the terms of the Loan Agreement, Autlan will fund amounts from time to time to a maximum of \$500,000 per year. Each advance will bear interest, commencing on the date of the advance, at the Prime Rate offered by the Company's bank on such date. The loan is repayable on demand. Since the sale in 2007 of the majority of the Company's shares owned by Grupo to Autlan, Autlan has been providing the advances under the exact same terms.

Autlan has 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-V on the day before the advance (the "Conversion Price"). Each unit will consist of one common share and one common share purchase warrant if converted within one year of the advance, and into one common share only if converted after one year from the date of the advance. Each warrant will be exercisable for a period of one year from the date of the advance at the higher of the Conversion Price or the minimum exercise price permissible pursuant to TSX-V policies. The convertibility feature is restricted to a maximum of five years from the date of each advance.



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In accordance with International Accounting Standard ("IAS 32"), *Financial Instruments: Presentation*, and IAS 39, *Financial Instruments: Recognition and Measurement*, the convertible loan has 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 includes 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.

During the three months ended March 31, 2017, the Company received loan advances amounting to \$30,000 from Autlan to fund its operations (2016 - \$25,000). These advances bear interest based on the prime interest rate at the date of the advance; the weighted average interest rate for advances received during the three months ended March 31, 2017, was 2.7%.

Accrued interest to March 31, 2017 was \$146,464 (December 31, 2016 - \$140,612). These amounts include the interest portion due on advances received by the Company prior to 2012, where the principal amounts had been converted to shares pursuant to terms of the Loan Agreement.

As at March 31, 2017, the total amount owed, consisting of principal and interest, was \$969,563 (December 31, 2016: \$933,712). Subsequent to March 31, 2017, the Company has received further advances of \$25,000.

In addition to the above loan, the Company's Mexican subsidiary received \$11,412 (2016: \$12,876) from Autlan to enable it to meet its local obligations. These amounts do not bear any interest.

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)
Erik C. Jurgensen	Director	(Mexico)
James Robertson, P.Eng.	Director, Audit Committee Chair	(Vancouver)
Salvador Miranda	Chief Financial Officer & Corporate Secretary	(Vancouver)

d) La Casita mineral property

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 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.



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3.- Results of Operations

	Three months ended March 31				
	2017	% of	2016	% of	% change
	\$	expenses	\$	expenses	
<u>Cash expenses</u>					
Administration and accounting	15,000	38.95%	15,000	39.23%	0.00%
Property examination costs	11,393	29.59%	12,885	33.71%	-11.58%
Audit and legal	5,278	13.71%	4,323	11.31%	22.09%
Directors' fees	3,000	7.79%	3,000	7.85%	0.00%
Filing and transfer agent fees	2,856	7.42%	2,505	6.55%	14.01%
Office and sundry	980	2.54%	512	1.34%	91.41%
	38,507	100.00%	38,225	99.99%	0.74%
<u>Non-cash expenses</u>					
Accretion of convertible loan	17,194		14,745		
Interest on convertible loan	5,851		5,084		
Foreign exchange (gain) loss	(357)		45		
	22,688		19,874		
Loss for the period	(61,195)		(58,099)		
Exchange differences on translating foreign operations, net of tax	(50,052)		43,114		
Total comprehensive loss for the period	(111,247)		(14,985)		

The significant amounts from the comparative periods were as follows:

- Administration and accounting consists of a monthly fee paid to a company controlled by the Chief Financial Officer of the Company.
- Property examination costs relate to the payment of mineral rights for the La Casita property. These costs, paid semi-annually every January and July, and denominated in Mexican pesos, increase every year for the duration of the concession. However due to exchange rate fluctuations, specifically the decline of the Mexican peso against the Canadian dollar, the amount in Canadian dollars decreased for the current fiscal period.
- Audit and legal fees were slightly higher as compared to the previous year, but well within the budgeted range.
- Directors' fees: a monthly stipend is paid to a director of the Company in his capacity of Chair of the Audit Committee.
- Filing and transfer agent fees were also generally comparable with those of the same period in the prior year.
- Office and sundry expenses were also comparable to those of the comparative period.
- Interest expense and accretion on convertible loan amounts in both periods are due to related party on convertible loan (Note 6 to the Financial Statements). The increase corresponds to the increase in the balance outstanding on the loan.



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4.- Summary of quarterly results:

	Quarter ended (three-month figures) (\$)							
	31-Mar 2016	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
Loss before other expenses Per share, basic and diluted	(38,150) (0.00)	(25,743) (0.00)	(41,462) (0.01)	(31,310) (0.00)	(38,270) (0.00)	(27,178) (0.00)	(53,244) (0.00)	(38,250) (0.00)
Loss for the period Per share, basic and diluted	(61,195) (0.00)	(48,703) (0.00)	(63,754) (0.01)	(52,501) (0.00)	(58,099) (0.00)	(47,529) (0.00)	(71,368) (0.01)	(50,445) (0.00)
Other comprehensive income (loss) Per share, basic and diluted	(50,052) (0.00)	23,276 0.00	22,034 0.00	42,246 0.00	43,114 0.00	(13,129) (0.00)	4,195 (0.01)	27,672 0.00
Total comprehensive loss Per share, basic and diluted	(111,247) (0.01)	(25,427) (0.00)	(41,720) (0.00)	(10,255) (0.00)	(14,985) (0.00)	(60,658) (0.00)	(67,173) (0.01)	(22,773) (0.00)
Total assets	6,374	12,984	34,738	21,903	6,769	8,885	8,043	27,731
Total liabilities	1,487,251	1,395,463	1,391,790	1,353,510	1,351,677	1,349,515	1,301,720	1,262,587
Shareholders' deficiency	(1,480,877)	(1,382,479)	(1,357,052)	(1,331,607)	(1,344,908)	(1,340,630)	(1,293,677)	(1,234,856)
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The losses for the three months ended March 31, 2017 are very comparable to those of the same period in 2016. First and third quarter losses of each year tend to be slightly higher as it is during these quarters that the concession maintenance fees are paid in Mexico.

The amount of total assets has a strong correlation to the amount of cash in the bank, which is higher immediately after the reception of a loan advance pursuant to the convertible loan agreement.

5.- Liquidity and Working Capital

	March 31, 2017	December 31, 2016
	\$	\$
Cash and cash equivalents	3,450	10,636
Accounts receivable (Canadian GST)	1,674	1,098
Prepaid expenses and deposits	1,250	1,250
Accounts payable and accrued liabilities	(6,261)	(15,934)
Amounts due to related parties	(637,925)	(576,660)
Liability component of convertible loan	(843,065)	(802,869)
Working capital deficiency:	<u>(1,480,877)</u>	<u>(1,382,479)</u>

Accounts payable and accrued liabilities include current payables, and accruals for audit, preparation of income tax return, annual filing fees and any unbilled but completed work.

Amounts due to related parties include certain services provided by Autlan to the Company's Mexican subsidiary of \$631,411 (December 31, 2016 - \$570,262), and amounts due to companies controlled by a director and an officer of the Company of \$6,514 (December 31, 2016 - \$6,398).

The balance in the liability component of the convertible loan includes both principal and interest owing to related parties accrued from convertible loan as described in Section 2, above, and in Note 6 to the Financial Statements.

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



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6.- 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 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.

7.- Off-Balance Sheet Arrangements

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

8.- Transactions with Related Parties

The following transactions with related parties took place:

Three months ended March 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:	15,000	15,000
Office rent paid to InterAmerica:	150	150
Director's fees paid to Midas Management Inc. ("Midas"), a company controlled by Mr. James Robertson, a director of the Company and chairman of its audit committee:	3,000	3,000
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:	11,412	12,876
Amounts advanced by Autlan under the Loan Agreement (Note 6 to the Financial Statements):	30,000	25,000
Interest accrued on convertible loan:	5,851	5,084



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The following amounts were due to related parties:

As at:	March 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):	631,411	570,262
Amounts owed to Autlan pursuant to the convertible loan, including principal and accrued interest (note 6 to the Financial Statements):	969,563	933,712
Amounts due to InterAmerica in management fees and reimbursable expenses:	5,464	5,348
Director's fees owed to Midas:	1,050	1,050
	<u>1,607,488</u>	<u>1,510,372</u>

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.

9.- 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.

10.- 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 March 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.



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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 \$63,000, and its net loss for the period by approximately \$1,000.

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.

Liquidity risk

The Company currently depends on the advances provided by Autlan through the convertible loan instrument (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.- 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.

12.- 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



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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, Autlan 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 Autlan 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.

13.- 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.



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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.
- Warrants and stock options: nil.

On behalf of the Board

GFM Resources Limited

"José Antonio Rivero González"

José Antonio Rivero González, President and Chief Executive Officer

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