



(An exploration-stage company)

Form 51-102F1

Management's Discussion & Analysis

Year ended December 31, 2019

This Management's Discussion & Analysis ("MD&A") of GFM Resources Limited (the "Company") is for the year ended December 31, 2019, 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, 2019 and 2018, 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 24, 2020.

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.

The Company's majority shareholder is Compañía Minera Autlán, S.A.B. de C.V. ("Autlan"), a Mexican company listed on the Mexican Stock Exchange - *Bolsa Mexicana de Valores* – and controlled by Mr. José Antonio Rivero Larrea, a director of the Company.

Autlan is active in manganese and ferroalloy operations in Mexico and owns a gold-producing mine in the state of Sonora, Mexico.

b) Financings

On November 17, 2017:

- The Company entered into a loan agreement (the "Loan Agreement") with Autlan with effect from August 1, 2017. Under the terms of the Loan Agreement, Autlan 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.

During the year ended December 31, 2019, the weighted-average interest rate was 4.24% (2018 – 4.02%).



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- The Company's Mexican subsidiary GFM Resources de Mexico, S.A. de C.V. (the "Subsidiary") entered into a separate loan agreement with Autlan (the "Subsidiary Agreement"), with retroactive effect from August 1, 2017. Under the terms of the Subsidiary Agreement, Autlan 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. During the year ended December 31, 2019, the weighted-average interest rate was 10.30% (2018 – 9.97%).

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

	Principal received	Accrued Interest	Mexican value-added tax ("IVA")	Foreign exchange adjustment	Total due
	\$	\$	\$	\$	\$
Balance, December 31, 2017	205,620	3,033	325	(3,772)	205,206
Loan Agreement	151,629	7,041	-	17,665	176,335
Subsidiary Agreement	99,550	18,009	29	10,048	127,636
Balance, December 31, 2018	456,799	28,083	354	23,941	509,177
Loan Agreement	134,300	14,237	-	(17,204)	131,333
Subsidiary Agreement	94,605	30,101	32	1,600	126,338
Balance, December 31, 2019	685,704	72,421	386	8,337	766,848

c) Board of Directors 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	Director	(Mexico)
Salvador Miranda	Chief Financial Officer & Corporate Secretary	(Vancouver)



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d) Mineral exploration

La Casita, Durango, Mexico

On May 13, 2008, the Company entered into a formal Purchase and Sale Agreement (the "Property Agreement") to acquire from Grupo Ferrominero, S.A. de C.V. ("Grupo", a company controlled by a director of the Company) the "La Casita" mineral property, formerly known as El Rodeo property ("the Acquisition") in the State of Durango, Mexico, consisting of three mineral claims.

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.

Baviácora, Sonora, Mexico

On October 30, 2017, the Company entered 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 would pay for outstanding mineral rights of the Concession, would have exclusive access rights for a period of six months, and would obtain a minimum 15% ownership stake in the Concession. The starting of the six-month initial evaluation and exploration term was subject to Auricup negotiating the land access rights with the local communal land administration. If, for any reason, such access rights were not successfully negotiated within 120 days of the date of Evaluation Agreement, the Company had 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, had the exclusive right to negotiate an agreement to acquire a further interest in the Concession. As at December 31, 2019, beyond the original 120 days, Auricup was unable to secure land access rights and therefore, the Company is trying to either demanding the full repayment or negotiating with Auricup, either in cash or in consulting services.

Dany II, Guanajuato, Mexico

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.



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The following property examination costs and concession payments have been incurred:

	Years ended December 31	
	2019	2018
	\$	\$
La Casita - maintenance fees	26,840	25,256
La Casita - access	13,788	38,035
Baviácora - access	-	26,813
Dany II concession - bidding	12,137	-
Other exploration	2,896	-
	55,661	90,104

The Company drew down on its Subsidiary Agreement for these payments.

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. (formerly Soluciones y Reparaciones Domésticas, S.A. 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.

During the year ended December 31, 2019, the Company paid \$470,218 on behalf of Prospección, and was immediately reimbursed by Prospección for this amount, with nil cash effect (2018 – \$463,663).

3.- Selected annual information

	Years ended December 31		
	2019	2018	2017
	\$	\$	\$
Interest expense on convertible loan with Autlan (forgiven June 30, 2017)	-	-	(11,977)
Interest on Loan Agreement and Subsidiary Agreement with Metallorum	(44,338)	(25,050)	(3,033)
Income (loss) for the year	(255,524)	(333,192)	1,187,211
Per share, basic & diluted	(0.01)	(0.02)	0.06
Total comprehensive income (loss) for the year	(253,314)	(285,829)	1,136,548
Per share, basic & diluted	(0.01)	(0.02)	0.06
Total assets	32,841	22,659	23,750
Total liabilities	794,359	530,863	246,125
Shareholders' deficiency	(761,518)	(508,204)	(222,375)
Cash dividends declared	Nil	Nil	Nil



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4.- Results of operations

a) Year-to-date

	Years ended December 31				
	2019	% of	2018	% of	
	\$	expenses	\$	expenses	% change
<u>Cash expenses</u>					
Administration and accounting	60,000	34.52%	60,000	26.41%	0.00%
Property examination costs	55,661	32.03%	90,104	39.67%	-38.23%
Directors' fees	24,000	13.81%	21,000	9.25%	14.29%
Audit and legal	18,066	10.40%	34,128	15.03%	-47.06%
Filing and transfer agent fees	12,518	7.20%	12,512	5.51%	0.05%
Office and sundry	3,549	2.04%	9,376	4.13%	-62.15%
	<u>173,794</u>	<u>100.00%</u>	<u>227,120</u>	<u>100.00%</u>	<u>-23.48%</u>
<u>Non-cash (income) expenses</u>					
Interest on loans	44,338		25,050		
Foreign exchange (gain) loss	(11,604)		20,153		
Write-down of value added tax recoverable	48,996		60,869		
	<u>81,730</u>		<u>106,072</u>		
Loss for the year	(255,524)		(333,192)		
Exchange differences on translating foreign operations, net of tax	2,210		47,363		
Total comprehensive income (loss) for the year	<u>(253,314)</u>		<u>(285,829)</u>		

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 at a monthly rate of \$5,000.
- Property examination decreased in comparison to the same period in the prior year, when surface access rights the La Casita property were paid in order to carry out geological surface sampling, and access for the Baviácora project was also paid. During the current period the Company entered into the bidding process for the Dany II concession (see Section 2(d) above),
- Directors' fees: a monthly stipend is paid to a director of the Company in his capacity of Chair of the Audit Committee. This fee was \$1,000 per month until March 31, 2018, and \$2,000 per month subsequently.
- Audit and legal fees were higher during the prior year comparative as a result of legal counsel assistance reviewing certain matters related to the majority shareholder.
- Filing and transfer agent fees are consistent with prior year's numbers.
- Office expenses were lower during the current year due to fewer travelling requirements by an officer of the Company, with these expenses not required during the current period.
- Interest related to the Loan Agreement and Subsidiary agreement are described above in Section 2(b). As the principal amount outstanding increases over time, so do the interests incurred.



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b) Most recent quarter

	Three months ended December 31				
	2019	% of	2018	% of	% change
	\$	expenses	\$	expenses	
<u>Cash expenses</u>					
Administration and accounting	15,000	39.01%	15,000	25.24%	0.00%
Property examination costs	8,771	22.82%	28,554	48.04%	-69.28%
Directors' fees	6,000	15.61%	6,000	10.09%	0.00%
Audit and legal	5,214	13.56%	6,551	11.02%	-20.41%
Filing and transfer agent fees	2,321	6.04%	2,434	4.10%	-4.64%
Office and sundry	1,138	2.96%	899	1.51%	26.59%
Total cash expenses	38,444	100.00%	59,438	100.00%	-35.32%
<u>Non-cash expenses</u>					
Interest on loans	11,661		8,016		
Foreign exchange (gain) loss	(6,306)		12,532		
Write-down of value added tax recoverable	48,996		60,869		
Total non-cash expenses	54,351		81,417		
Loss for the period	(92,795)		(140,855)		
Exchange differences on translating foreign operations, net of tax	(7,704)		58,437		
Total comprehensive loss for the period	(100,499)		(82,418)		

The discussion of the last quarter's expenses is consistent with those of the year-to-date period explained in the prior page.

The payment of concession fees in Mexico takes place twice per year, in January and July; therefore, the amounts of the first and third quarters of each year normally have higher property examination costs than the second and fourth quarters.

During the last quarter of 2019, due to uncertainty in the recoverability of Mexican value-added tax and other taxes recoverable, the Company wrote off these amounts.



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5.- Summary of quarterly results:

	Quarter ended (three-month figures) (\$)							
	31-Dec 2019	30-Sep 2019	30-Jun 2019	31-Mar 2019	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018
Loss before other expenses Per share, basic and diluted	(32,138) (0.00)	(40,171) (0.00)	(34,165) (0.00)	(55,716) (0.00)	(71,970) (0.00)	(57,035) (0.00)	(59,247) (0.00)	(59,021) (0.00)
Loss for the period Per share, basic and diluted	(92,795) (0.00)	(52,527) (0.00)	(45,184) (0.00)	(65,018) (0.00)	(140,855) (0.01)	(63,680) (0.00)	(65,777) (0.00)	(62,880) (0.00)
Other comprehensive income (loss) Per share, basic and diluted	(7,704) (0.00)	4,605 0.00	3,791 0.00	1518 0.00	58,437 0.00	(6,059) (0.00)	10,535 0.00	(15,550) (0.00)
Total comprehensive loss Per share, basic and diluted	(100,499) (0.01)	(47,922) (0.00)	(41,393) (0.00)	(63,500) (0.00)	(82,418) (0.00)	(69,739) (0.00)	(55,242) (0.00)	(78,430) (0.00)
Total assets	32,841	110,700	52,712	57,732	22,659	62,374	14,626	31,357
Total liabilities	794,359	771,719	665,809	629,436	530,863	488,160	370,673	332,162
Shareholders' deficiency	(761,518)	(661,019)	(613,097)	(571,704)	(508,204)	(425,786)	(356,047)	(300,805)
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The expenses for 2019 were consistent from quarter to quarter, with slightly higher amounts for the quarters ended March 31 and September 30, as the concession fees in Mexico are paid in January and July. However, during the last quarter of 2019, as explained in the previous section, the Company wrote off the Mexican taxes recoverable due to uncertainty in their recoverability.

During the December 2018 quarter the Company wrote off a significant amount of Mexican value-added tax recoverable (IVA) of approximately \$61,000 in relation to the debt forgiven by Autlan in June of 2017.

6.- Liquidity and working capital

	December 31, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	30,326	15,056
Accounts receivable (Canadian GST)	1,195	1,303
Total liquidity	31,521	16,359
Prepaid expenses and deposits	1,320	1,503
Accounts payable and accrued liabilities	(20,063)	(21,686)
Amounts due to related parties	(7,448)	-
Loans with related party	(766,848)	(509,177)
Working capital deficiency:	(761,518)	(513,001)

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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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 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.

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:	2019	2018
	\$	\$
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 paid to Midas Management Inc. ("Midas"), a company controlled by Mr. James Robertson, a director of the Company and chairman of its audit committee:	24,000	21,000
Advances pursuant to the Loan Agreement (Section 2(b) above):	134,300	151,629
Advances pursuant to the Subsidiary Agreement as explained in Section 2(b) above:	94,605	99,550
Interest accrued on Loan Agreement and Subsidiary Agreement:	44,338	25,050

The following amounts were due to related parties:

As at:	December 31, 2019	December 31, 2018
	\$	\$
Amounts owed to Autlan pursuant to Loan Agreement:	391,572	260,239
Amounts owed to Autlan pursuant to Subsidiary Agreement:	375,276	248,938
Amounts due to InterAmerica in management fees and reimbursable expenses (paid subsequently):	5,348	-
Director's fees owed to Midas (paid subsequently):	2,100	-
	774,296	509,177



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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.- Critical accounting estimates and adoption of new accounting standards

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, except as noted below.

Adoption of new accounting standards

New IFRS pronouncements have been issued that become effective for and adopted by the Company as of January 1, 2019:

IFRS 16. Leases

This standard specifies how an IFRS reporter recognizes, measures, presents and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company had no leases as at December 31, 2019 or December 31, 2018 and, therefore, IFRS 16 has no material effect on the Company's consolidated financial statements.

12.- 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.



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Currency Risk

As at December 31, 2019, 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 \$38,000, and its net loss for the year by approximately \$8,000.

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 is exposed to interest rate risk on its loans with a related party as detailed in Note 6 to the Financial Statements and section 2(b), above. A change 1% change in interest rate would affect the interest by approximately \$9,000 based on the principal outstanding as at December 31, 2019.

Liquidity risk

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

13.- 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. These 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.



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14.- 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, 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.

15.- 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.



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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.

16. - 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 2, 3, 11 and 12 thereto.

ii) Section 5.4: Share Capital: please refer to Note 7 to the Financial Statements.

As at the date of this MD&A, the Company has 19,085,071 common shares issued and outstanding, and no stock options or warrants outstanding.

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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