



**GFM RESOURCES LIMITED**

**(An exploration-stage company)**

**Condensed Consolidated Interim Financial Statements**

Three months ended March 31, 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		March 31, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
	Note		
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		26,051	39,547
Accounts receivable	4	1,217	789
Prepaid expenses and deposits		1,604	1,751
Advance payment of mineral concessions	9	6,995	-
		<b>35,867</b>	<b>42,087</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	5	21,984	18,039
Due to related parties	6, 8	7,623	-
Loans with related party	6, 8	1,196,914	1,169,621
		<b>1,226,521</b>	<b>1,187,660</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	7	3,484,022	3,484,022
Contributed surplus		870,442	870,442
Foreign currency reserve		130,634	135,627
Deficit		(5,675,752)	(5,635,664)
		<b>(1,190,654)</b>	<b>(1,145,573)</b>
		<b>35,867</b>	<b>42,087</b>
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 May 29, 2022

"James Robertson"

Director

"Horacio Alcocer"

Director

# GFM RESOURCES LIMITED

(an exploration-stage company)

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

		Three months ended March 31	
	Note	2022	2021
		\$	\$
<b>EXPENSES</b>			
Administration and accounting	8	15,000	15,000
Audit and legal		7,832	4,440
Property examination costs	9	6,882	6,457
Filing and transfer agent fees		2,601	2,532
Directors' fees	8	6,000	6,000
Office and sundry		1,467	1,158
Foreign exchange loss (gain)		(11,698)	(1,401)
<b>Loss before other expenses</b>		<b>(28,084)</b>	<b>(34,186)</b>
<b>Other income (expenses)</b>			
Interest on loans	6	(11,411)	(8,745)
Mexican taxes		(593)	3,712
<b>Loss for the period</b>		<b>(40,088)</b>	<b>(39,219)</b>
<b>Other comprehensive income (loss)</b>			
Exchange differences on translating foreign operations, net of tax		(4,993)	14,477
<b>Total comprehensive loss for the period</b>		<b>(45,081)</b>	<b>(24,742)</b>
<b>Loss per share (basic and diluted)</b>		<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of shares outstanding</b>			
<b>(basic and diluted)</b>		<b>19,085,071</b>	<b>19,085,071</b>

*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)

	Note	Three months ended March 31	
		2022	2021
		\$	\$
<b>Operating activities</b>			
Loss for the period		(40,088)	(39,219)
Adjustments for items not involving cash:			
- Non-cash interest accrued on loans	6	11,411	8,745
- Non-cash impact of foreign exchange translation		(13,397)	(7,906)
Changes in non-cash working capital items:			
- Accounts receivable		(428)	(640)
- Prepaid expenses and deposits		147	269
- Advance payment of mineral concessions	9	(6,995)	(6,380)
- Accounts payable and accrued liabilities		2,050	992
- Amounts due to related parties	6, 8	7,623	-
Cash used in operating activities		(39,677)	(44,139)
<b>Cash flows from financing activities</b>			
Loans from related party	6, 8	38,031	89,166
Interest repayment on loan from related party	6	(11,841)	(21,751)
Cash generated from financing activities		26,190	67,415
Effect of foreign exchange translation on cash		(9)	(127)
<b>Net change in cash</b>		(13,496)	23,149
Cash, beginning of the period		39,547	4,320
<b>Cash, end of the period</b>		26,051	27,469
<b>Supplementary information with respect to cash flows:</b>			
Income taxes paid in cash		-	-
Interest paid in cash	6	11,841	(21,751)

*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 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	-	-	-	14,477	(39,219)	(24,742)
Balance, March 31, 2021	19,085,071	3,484,022	870,442	139,092	(5,478,038)	(984,482)
Comprehensive loss for the period	-	-	-	(3,465)	(157,626)	(161,091)
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	-	-	-	(4,993)	(40,088)	(45,081)
<b>Balance, March 31, 2022</b>	<b>19,085,071</b>	<b>3,484,022</b>	<b>870,442</b>	<b>130,634</b>	<b>(5,675,752)</b>	<b>(1,190,654)</b>

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

# GFM RESOURCES LIMITED

(An exploration-stage company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 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 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:

	<b>March 31, 2022</b>	December 31, 2021
	<b>\$</b>	\$
Deficit	<b>(5,675,752)</b>	(5,635,664)
Working capital deficiency:	<b>(1,190,654)</b>	(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

Three months ended March 31, 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 May 19, 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

	March 31, 2022	December 31, 2021
	\$	\$
Canadian GST receivable (i)	1,217	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:

	March 31, 2022	December 31, 2021
	\$	\$
Trade payables	1,659	316
Accrued liabilities	20,325	17,723
Total	21,984	18,039



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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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 three months ended March 31, 2022, the weighted-average interest rate was 2.22% (2021 – 2.12%).

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 three months ended March 31, 2022, the weighted-average interest rate was 8.01% (2021 – 6.37%).

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	89,166	3,301	(5,800)	(2,499)	-	86,667
Subsidiary Agreement	-	5,444	(15,951)	(10,507)	(2,552)	(13,059)
Foreign exchange adjustment	(22,301)	126	(313)	(187)	(22)	(22,510)
Balance, March 31, 2021	984,828	115,929	(107,280)	8,649	-	993,477
Loan Agreement	160,870	11,502	(14,939)	(3,437)	-	157,433
Subsidiary Agreement	-	17,275	(10,872)	6,403	(1,740)	4,663
Foreign exchange adjustment	10,066	(660)	990	330	3,652	14,048
Balance, December 31, 2021	1,155,764	144,046	(132,101)	11,945	1,912	1,169,621
Loan Agreement	38,031	4,631	-	4,631	-	42,662
Subsidiary Agreement	-	6,780	(11,841)	(5,061)	(1,895)	(6,956)
Foreign exchange adjustment	(8,344)	1,380	(1,432)	(52)	(17)	(8,413)
<b>Balance, March 31, 2022</b>	<b>1,185,451</b>	<b>156,837</b>	<b>(145,374)</b>	<b>11,463</b>	<b>-</b>	<b>1,196,914</b>

During the three months ended March 31, 2022, the Company repaid to Autlan all of the remaining interest that was outstanding as at December 31, 2021.

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### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended March 31, 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 March 31, 2022 and December 31, 2021. No common shares were issued during the three months ended March 31, 2022 or during the fiscal year ended December 31, 2021.

c) Warrants

There were no warrants outstanding as of March 31, 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 30, 2021. 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 March 31, 2022 (2021 – Nil).

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars except where indicated)

**8. Related party transactions**

During the three months ended March 31, 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.

Three months ended March 31:	2022	2021
	\$	\$
Management fees paid to a company controlled by the Chief Financial Officer of the Company	15,000	15,000
Director's fees	6,000	6,000
Advances pursuant to Loan Agreement <sup>(i)</sup>	38,031	89,166
Interest accrued on advances <sup>(i,ii)</sup>	11,411	8,871
Interest repaid on Loan Agreement and Subsidiary Agreement (including Mexican value added tax)	(13,736)	-

<sup>(i)</sup> Pursuant to the Loan Agreement with Autlan (Note 6).

<sup>(ii)</sup> Pursuant to the Subsidiary Agreement with Autlan (Note 6).

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

As at:	March 31, 2022	December 31, 2021
	\$	\$
Amounts owed to Autlan pursuant to Loan Agreement (Note 6):	841,022	810,601
Amounts owed to Autlan by Subsidiary pursuant to Subsidiary Agreement (Note 6):	355,892	359,020
Management fees and reimbursable expenses owed to a company controlled by an officer of the Company:	5,523	-
Directors' fees owed to a company controlled by a director of the Company:	2,100	-
	<b>1,204,537</b>	<b>1,169,621</b>

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2022 and 2021  
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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 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		Three months ended March 31	
	March 31, 2022	December 31, 2021	2022	2021
	\$	\$	\$	\$
La Casita - concession fees	6,995	-	6,882	6,457

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 March 31, 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 \$38,000 (March 31, 2021 - \$36,000; December 31, 2021 - \$38,000), and its net loss for the period by approximately \$2,000 (2021 - \$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 \$4.600 based on the principal outstanding as at March 31, 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

Three months ended March 31, 2022 and 2021  
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### 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 March 31, 2022, the Company had cash of \$26,051 (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	March 31 2021
	\$	\$	\$	\$	\$	\$
Loans with related party	942,379	89,166	8,745	(24,303)	(22,510)	993,477
	March 31 2021	Advances	Interest and tax	Interest repayment	Foreign exchange	December 31, 2021
	\$	\$	\$	\$	\$	\$
Loans with related party	993,477	160,870	28,777	(27,551)	14,048	1,169,621
	December 31, 2021	Advances	Interest and tax	Interest repayment	Foreign exchange	<b>March 31, 2022</b>
	\$	\$	\$	\$	\$	<b>\$</b>
Loans with related party	1,169,621	38,031	11,411	(13,736)	(8,413)	<b>1,196,914</b>

### 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 event

Subsequent to March 31, 2022, the Company received \$70,951 (USD \$55,000) pursuant to the Loan Agreement.

\* \* \* \* \*