



British Columbia  
Securities Commission

**QUARTERLY AND YEAR END REPORT**

FORM 51-901F

(Previously Form 61)

<b>ISSUER DETAILS</b> NAME OF ISSUER GFM RESOURCES LIMITED		FOR QUARTER ENDED 2002/12/31	DATE OF REPORT Y M D 2003 05 15	
ISSUER'S ADDRESS SUITE 2000 - 1066 WEST HASTINGS STREET				
CITY VANCOUVER	PROVINCE BC	POSTAL CODE V6E 3X2	ISSUER'S FAX 604-806-6112	ISSUERS TELEPHONE NO 604-806-6110
CONTACT PERSON SALVADOR MIRANDA		CONTACT'S POSITION Chief Financial Officer	CONTACT TELEPHONE NO 604-806-6110	
CONTACT EMAIL ADDRESS info@gfm-resources.com		WEB SITE ADDRESS n/a		

**CERTIFICATE**

*The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE ➤ (Signed): "Fernando Rivero"	PRINT FULL NAME FERNANDO RIVERO	DATE SIGNED Y M D 2003 05 15
DIRECTOR'S SIGNATURE ➤ (Signed): "Lizardo Galvan"	PRINT FULL NAME LIZARDO GALVAN	DATE SIGNED Y M D 2003 05 15

# GFM RESOURCES LIMITED

## SCHEDULE B

To accompany the audited financial statements for the fiscal year ended December 31, 2002

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### 1. ANALYSIS OF EXPENSES AND DEFERRED COSTS:

DEFERRED EXPENDITURES: NIL; the Company did not incur any deferred expenses or costs during the period.

EXPLORATION EXPENSES: During the period the Company commissioned an update to a geological report originally produced in 1999 on the Atexcaco massive sulphide property, recently optioned to the Company. The work included examination of new information that became available since 1999, as well as bringing the report to the current standards acceptable to the TSX Venture Exchange. The cost of this report update was \$2,400.

GENERAL AND ADMINISTRATIVE EXPENSES: During fiscal period, \$87,050 was spent on general administration of the Company, as follows:

Expenses	Amount	Percentage
Administration and accounting	27,725	31.85%
Audit fees	4,625	5.31%
Legal fees	29,907	34.36%
Consulting fees	737	0.85%
Filing fees	6,026	6.92%
Transfer agent fees	4,585	5.27%
Exchange sustaining fees	2,050	2.35%
Office rent	6,600	7.58%
Other office-related expenses	3,874	4.45%
Promotion	445	0.51%
Travel	476	0.55%
<b>Total</b>	<b>87,050</b>	<b>100.00%</b>

### 2. RELATED PARTY TRANSACTIONS

During the period, the majority shareholder, Grupo Ferrominero, S.A. de C.V. ("Grupo") advanced \$87,507. This amount was originally intended as part of a \$100,000 private placement announced by press release on March 18, 2002, but never completed as such, and with foreign exchange adjustments is reflected as an amount due to a related party on the audited financial statements for the fiscal year.

Also during the period, as per notes #6 and #9 to the audited financial statements for the fiscal year, the Company settled a previously outstanding debt of \$141,774 by the issuance of 945,160 common shares.

During the period \$27,725 in office administration and accounting fees, and \$4,400 in office rent were paid to a company owned by the Chief Financial Officer of the Company.

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## SCHEDULE B

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### 3. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD

A. Securities issued during the period:

Type of shares	Number of shares	Price per share	Total debt reduction	Commissions Paid	Legal Costs	Filing & other costs	Date issued	Type of Issue
Common	945,160	\$0.15	141,774	\$0.00	\$1,060	\$1,593	Mar 15, 2002	Private

For other details please refer to note #6(b) and #9 to the audited financial statements.

B. Options granted during the period: NIL.

C. Warrants granted during the period: NIL

### 4. SUMMARY OF SECURITIES AT THE END OF THE REPORTING PERIOD:

A. Authorized and issued share capital:

Class of shares	Par value	Authorized number	Issued amount	Issued value
Common	No	Unlimited	6,185,016	\$ 1,572,453

B. Options and warrants outstanding at the end of the period:

Options Outstanding & Exercisable	Weighted average exercise price	Date granted	Expiry date	Weighted average remaining contractual life
420,000	\$0.25	2002-06-26	2005-06-25	2.48 (yr)

Note: No warrants outstanding at the end of the period. Please refer to note #6(d) to the audited financial statements for the period.

C. Shares in escrow: 750,000 shares; subject to pooling: Nil

### 5. DIRECTORS AND OFFICERS

<u>Directors</u>	<u>Officers</u>
Bernardo Canales	José Antonio Rivero: President and Chief Executive Officer
Lizardo Galván	Salvador Miranda: Chief Financial Officer and Corporate Secretary.
Fernando Rivero	
José Antonio Rivero	

# GFM RESOURCES LIMITED

## SCHEDULE C

To accompany the audited financial statements for the fiscal year ended December 31, 2002

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**Description of business:** Please refer to note #1 to the audited financial statements for the fiscal year.

### **Discussion of Operations and Financial Conditions:**

During the period, the Company pursued the steps required on the reactivation plan submitted to the TSX Venture Exchange (the "Exchange") on November 9, 2001, pursuant to Exchange's policy 2.6.

Within the context of the reactivation plan, the Company performed the following actions:

- Under Exchange's Policy 5.1, all loans advanced from the controlling shareholder, Grupo Ferrominero, S.A. de C.V. ("Grupo") were formally disclosed.
- As per notes #6(b) and #9 to the audited financial statements, and as per Schedule B above, all previously outstanding debt at the beginning of 2002 of \$141,774 was settled with Grupo by issuing 945,160 common shares of the Company. This issuance was done in compliance with Exchange's Policy 4.3. This settlement received Exchange approval on February 27, 2002, and the shares were issued on March 15, 2002.
- On March 18, 2002, the Company announced that Grupo had agreed to a private placement of \$100,000 through the issuance of 833,333 units at \$0.12 per unit. Each unit would consist of one common share and one attached non-transferrable share purchase warrant exercisable at \$0.15 for a period of two years from the closing of the placement. The \$100,000 raised through this private placement would be used for exploration and general administration expenses. The Exchange conditionally approved this transaction, pursuant to Exchange's policy 4.1, on April 2, 2002.

However, as at the end of the fiscal year, Grupo had only advanced \$87,507, and the private placement was not completed within the prescribed time limits. The amount advanced by Grupo, subject to foreign currency exchange adjustments, is now recorded on the balance sheet as an amount due to Grupo.

- As per press release dated May 30, 2002, the Company signed a letter of intent with Grupo to pursue good faith negotiations and enter into an agreement whereby Grupo would grant an option to a wholly-owned subsidiary of the Company to acquire up to 75% of the rights to the Atexcaco mineral claims owned by Grupo and located in Mexico, as previously described by GFM's January 17, 2002 press release. Details of the letter of intent are available on the May 30, 2002 press release. The definitive agreement with Grupo was signed on September 13, 2002, and the terms of the agreement were disclosed by press release of the same date. As at the date of this report, no expenditures have been incurred towards the exploration of the property and no payments have been made to Grupo, as they depend on the Company's ability to raise sufficient funds. If no payments are made by September 13, 2003, the option granted will terminate.

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- As indicated on Schedule B, the Company commissioned an update to a geological report originally written in 1999 about the Atexcaco property. This new report incorporates new information that became available since the writing of the original report, and it is now adapted to current reporting standards. This report was accepted by the TSX Venture Exchange.

On June 11, 2002, the Company held its annual general meeting of shareholders; as announced by press release dated June 28, 2002, the number of Directors was fixed at four, with Messrs. Bernardo Canales, Lizardo Galvan, Fernando Rivero and Jose Antonio Rivero being re-elected as Directors. Ellis Foster, Chartered Accountants was re-appointed as Auditors of the Company for the ensuing year. At a subsequent meeting of the Board of Directors, Mr. Jose Antonio Rivero was appointed Chairman of the Board, President, and Chief Executive Officer. Mr. Salvador Miranda was appointed Chief Financial Officer and Mr. Stephen Wortley was re-appointed as Corporate Secretary. The Audit Committee will be integrated by Messrs. Jose Antonio Rivero, Bernardo Canales and Lizardo Galvan. Mr. Stephen Wortley submitted his resignation as Corporate Secretary on December 31, 2002. The position of Corporate Secretary has been assumed by the Chief Financial Officer.

During the period, Management continued to actively explore financing opportunities together with its controlling shareholder, Grupo Ferrominero S.A. de C.V. ("Grupo"). Grupo, through Compañía Minera Autlán S.A. de C.V. ("Autlan") remains active in manganese operations in Mexico and South America and continues to have access to a broad portfolio of resource properties, which will be reviewed by Management of the Company for potential acquisition and exploration, assuming financing is available.

### **Subsequent events:**

Subsequent to the end of the period, the Company has received further cash advances of \$25,013. From the beginning of fiscal year 2002 to the date of publishing of this report, the Company has received a total of \$112,520 from Grupo.

As announced by press release dated October 4, 2002, the company requested to the TSX Venture Exchange an extension on a notice of suspension of trading with an original deadline of September 30, 2002. The Exchange granted a three-month extension, with a new deadline of December 31, 2002. However, as the Company was unable to meet Tier 2 Maintenance Requirements at that date, the TSX Venture Exchange suspended trading on the shares of the Company effective January 2, 2003.

As announced by press release dated March 12, 2003, the Company submitted an application to the TSX Venture Exchange to convert an escrow agreement that was signed between the Company, its majority shareholder Grupo Ferrominero, S.A. de C.V. ("Grupo"), and the Company's transfer agent, Computershare Trust Company of Canada (formerly Montreal Trust of Canada) on October 9, 1997, whereby 750,000 shares in Grupo's name would remain in escrow, with release conditions based upon certain performance considerations under the rules of the then Vancouver Stock Exchange.

At the next annual and special meeting of its shareholders, the Company is intending to seek the required shareholder approvals to amend this escrow agreement to a time-release basis under the

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provisions of TSX Policy 5.4 for a Tier 2 company, and to extend the term of the current escrow agreement until such approvals are obtained. No shares will be released from escrow until six months after receiving all of the required regulatory and shareholder approvals. The Company will publish the release timetable if and when all approvals have been received. The TSX Venture Exchange has accepted these proposals in principle, subject to disinterested shareholder approval and other conditions.

### **Financings, Principal Purposes and Milestones**

As described above, in addition to the elimination of debt pre-existing to the beginning of the 2002 fiscal year through the issuance of shares, the Grupo has continued to finance the company to enable it to meet all its obligations. As the Company has been inactive, there are no specific milestones to compare with at this point.

### **Liquidity and Solvency**

As at the end of the period, there was working capital deficit of \$93,635. Given the present level of ongoing obligations and expenses, the Company must rely on the continued financial support from Grupo in order to meet its operational obligations for the foreseeable future.

On behalf of the board of Directors

GFM RESOURCES LIMITED

(Signed): "Salvador Miranda"

Salvador Miranda

Chief Financial Officer and Corporate Secretary

The Company has entered into no investor relations contracts. Shareholder and investor inquiries may be directed to Mr. Salvador Miranda at (604) 806-6110, fax: (604) 806-6112, or email: [info@gfm-resources.com](mailto:info@gfm-resources.com).