



British Columbia
Securities Commission

QUARTERLY AND YEAR END REPORT
FORM 51-901F

(Previously Form 61)

ISSUER DETAILS 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

SCHEDULE A

Audited Financial Statements

GFM RESOURCES LIMITED

Financial Statements

December 31, 2002 and 2001

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ELLIS FOSTER

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of

GFM RESOURCES LIMITED

We have audited the balance sheets of **GFM Resources Limited** as at December 31, 2002 and 2001 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada
April 16, 2003

“ELLIS FOSTER”
Chartered Accountants



A partnership of incorporated professionals

*An independently owned and operated member of Moore Stephens North America Inc., a member of Moore Stephens International Limited
- members in principal cities throughout the world*

GFM RESOURCES LIMITED

Balance Sheets
December 31, 2002 and 2001

	2002	2001
ASSETS		
Current		
Cash	\$ 3,770	\$ 7,008
GST recoverable	375	793
Prepaid expenses	697	804
	4,842	8,605
Capital assets (note 4)	2,165	2,822
	\$ 7,007	\$ 11,427
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 9,943	\$ 8,362
Due to a related party (note 5)	88,534	140,995
	98,477	149,357
SHAREHOLDERS' DEFICIENCY		
Share capital (note 6)	1,572,452	1,433,332
Contributed surplus	101,031	101,031
Deficit	(1,764,953)	(1,672,293)
	(91,470)	(137,930)
	\$ 7,007	\$ 11,427

Nature of operations and going concern (note 1)

Approved by the Directors: "Fernando Rivero"
Fernando Rivero

 "Lizardo Galvan"
Lizardo Galvan

GFM RESOURCES LIMITED

Statements of Operations and Deficit
Years Ended December 31, 2002 and 2001

	2002	2001
Revenue		
Interest income	\$ 21	\$ 59
Expenses		
Administration and accounting	27,725	25,339
Amortization	657	870
Audit and legal	34,532	13,705
Consulting fees	737	1,500
Filing fees and transfer agent fees	12,662	6,949
Foreign exchange loss	2,573	5,426
General prospecting	2,400	-
Office and sundry	10,474	10,760
Promotion	445	526
Travel	476	417
	92,681	65,492
Loss for the year	(92,660)	(65,433)
Deficit, beginning of year	(1,672,293)	(1,606,860)
Deficit, end of year	\$ (1,764,953)	\$ (1,672,293)
Loss per share - basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	6,019,289	5,177,236

GFM RESOURCES LIMITED

Statements of Cash Flows
Years Ended December 31, 2002 and 2001

	2002	2001
Cash flows from (used in) operating activities		
Loss for the year	\$ (92,660)	\$ (65,433)
Adjustments for items not involving cash:		
- amortization	657	870
- unrealized foreign exchange loss	1,806	-
	(90,197)	(64,563)
Changes in non-cash working capital items:		
- decrease in GST recoverable	418	181
- decrease in prepaid expenses	107	1,046
- increase (decrease) in accounts payable and accrued liabilities	1,581	(11,790)
	(88,091)	(75,126)
Cash flows from (used in) financing activities		
Increase in amount due to a related party	87,507	81,964
Share issuance costs	(2,654)	(106)
	84,853	81,858
Net increase (decrease) in cash	(3,238)	6,732
Cash, beginning of year	7,008	276
Cash, end of year	\$ 3,770	\$ 7,008

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of British Columbia, Canada. During the year ended December 31, 2000, the Company continued its operation into Yukon 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 is in the business of acquisition, exploration and development of mineral properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. Continued operations of the Company are dependent on the Company's ability to file a satisfactory comprehensive reactivation plan to the TSX Venture Exchange and meet the *Tier Maintenance Requirements*, obtain public equity financing, receive continued financial support from its controlling shareholder, Grupo Ferrominero S.A. de C.V. ("Grupo"), or generate profitable operations in the future.

These 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.

2. Change in Accounting Policies

Effective January 1, 2002, the Company adopted a new standard for the accounting of stock-based compensation and other stock-based payments ("CICA 3870"), as recommended by the Canadian Institute of Chartered Accountants.

As permitted by CICA 3870, the Company has adopted the new recommendation prospectively only to awards granted on or after January 1, 2002, and chosen not to recognize any compensation when stock options are granted to employees under stock option plans with no cash settlement features.

For all direct awards of stocks and stock and stock options awards granted to non-employees, the Company applies the fair value method. The fair value of direct awards of stocks is determined by the quoted market price of the company's stock. The fair value of stock options is determined by the Black-Scholes Option Pricing Model, with assumptions for: risk-free interest rates; dividend yields, volatility factors of the expected market price of the Company's common shares; and the expected life of the options.

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

2. Change in Accounting Policies (continued)

As required, the Company will disclose pro-forma information regarding net income as if it had accounted for its employee stock options granted on or after January 1, 2002 under the fair value method.

In periods prior to January 1, 2002, the Company recognized no compensation expense when stock or stock options were issued to employees. The Company did not grant any options in the year ended December 31, 2002, and, as such, no compensation expense was recognized and on pro-forma disclosure of the effect of accounting for these awards under fair value method was provided.

3. Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(b) Foreign Currency Translations

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the year. Gain and losses on translations are included in income for the year.

(c) Capital Assets

Capital assets are recorded at historical cost. Amortization is provided on a declining balance basis at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%
Computer software	100%

One one-half year of amortization is recorded in the year of acquisition.

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

3. Significant Accounting Policies (continued)

(d) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per shares are the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

(e) Income Taxes

Income taxes are accounted for using the asset and liability method pursuant to Section 3465, Income Taxes, of *The Handbook of the Canadian Institute of Chartered Accountants*. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, Section 3465 requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

(f) Stock-based Compensations

The Company does not recognized compensation expense when stock options are granted to employees under stock option plans with no cash settlement features.

For all direct awards of stocks and stock and stock options awards granted to non-employees, the Company applies the fair value method. The fair value of stock options is determined by the Black-Scholes Option Pricing Model, with assumptions for: risk-free interest rates; dividend yields, volatility factors of the expected market price of the Company's common shares; and the expected life of the options.

The Company will disclose pro-forma information regarding net income as if it has accounted for its employee stock options granted under the fair value method.

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

4. Capital Assets

Capital assets consist of the following:

	2002		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 4,860	\$3,342	\$1,518
Computer equipment and software	4,496	3,849	647
	<u>\$ 9,356</u>	<u>\$7,191</u>	<u>\$2,165</u>

	2001		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 4,860	\$ 2,963	\$ 1,897
Computer equipment and software	4,496	3,571	925
	<u>\$ 9,356</u>	<u>\$ 6,534</u>	<u>\$ 2,822</u>

5. Due to a Related Party

The amount due to its controlling shareholder, Grupo, is non-interest bearing and unsecured. There are no stated terms of repayment.

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

6. Share Capital

(a) Authorized: unlimited number of common shares without par value.

(b) Issued and outstanding:

	Shares	Amount
Balance, December 31, 2000	4,808,606	\$1,429,126
Cancellation of escrow shares	(318,750)	(3,188)
Issuance of escrow shares at \$0.01 per share, net of \$106 share issuance costs	750,000	7,394
Balance, December 31, 2001	5,239,856	1,433,332
Issuance in settlement of debt at \$0.15 per share, net of \$2,654 share issuance costs	945,160	139,120
Balance, December 31, 2002	6,185,016	\$1,572,452

(c) Escrow Shares

750,000 of the common shares issued are held in escrow, the release of which is subject to the direction of the regulatory authorities.

(d) Stock Options

The Company has reserved 1,033,425 common shares for issuance in accordance with a Stock Option and Share Bonus Plan.

At December 31, 2002, the following stock options are outstanding and exercisable:

<u>Number of Stock Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>420,000</u>	\$0.25	June 25, 2005

The remaining contractual life of these outstanding options is 2.48 years. Each stock option entitles the holder to acquire one common share of the Company.

There were no options granted, exercised or forfeited during the year ended December 31, 2002.

These stock options cannot be exercised as the Company is designated inactive in accordance to the TSX Venture Exchange's Policy 2.5

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

7. Income Taxes

A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	2002	2001
Statutory income tax rate	40%	43%
Tax losses not benefited	(40%)	(43%)
Effective tax rate	0%	0%

The tax effect of temporary differences that give rise to the Company's future income tax assets are as follows:

	2002	2001
Non-capital loss carryforward	\$ 275,000	\$ 232,000
Cumulative exploration and depletion expenses	134,000	164,500
Capital assets	3,000	3,000
Less: Valuation allowance	(412,000)	(399,500)
Total	\$ -	\$ -

As at December 31, 2002, the Company's non-capital losses of approximately \$686,500 are carried forward for tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing from 2003 to 2009.

8. Related Party Transactions

- (a) During the year ended December 31, 2002, the Company paid administration and accounting fees of \$27,725 (2001 - \$Nil) and rent of \$4,400 (2001 - \$Nil) to a company owned by an officer of the Company.
- (b) Accounts payable and accrued liabilities include \$1,762 (2001 - \$Nil) due to a company owned by an officer of the Company.

GFM RESOURCES LIMITED

Notes to Financial Statements
December 31, 2002 and 2001

9. Financial Instruments

The carrying value of cash, accounts payable and accrued liabilities and amount due to a related party approximate their fair value due to the short-term nature of these instruments. It is management's opinion that the Company is not subject to significant interest, currency and credit risks arising from these financial instruments.

10. Non-Cash Financing Activities

During the year, the Company issued 945,160 common shares at \$0.15 per share in settlement of \$141,774 owed to Grupo, a controlling shareholder.