



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 2003/12/31	DATE OF REPORT Y M D 2003 05 10	
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 Office administrator		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): "José Antonio Rivero"	PRINT FULL NAME JOSÉ ANTONIO RIVERO	DATE SIGNED Y M D 2003 05 10
DIRECTOR'S SIGNATURE ➤ (Signed): "Roberto Rivero"	PRINT FULL NAME ROBERTO RIVERO	DATE SIGNED Y M D 2003 05 10

# **GFM RESOURCES LIMITED**

Financial Statements

December 31, 2003 and 2002

## **Index**

Auditors' Report

Balance Sheets

Statements of Operations and Deficit

Statements of Cash Flows

Notes to Financial Statements

# ELLIS FOSTER

CHARTERED ACCOUNTANTS

1650 West 1<sup>st</sup> Avenue  
Vancouver, BC Canada V6J 1G1  
Telephone: (604) 734-1112 Facsimile: (604) 714-5916  
E-Mail: [generaldelivery@ellisfoster.com](mailto:generaldelivery@ellisfoster.com)

---

## AUDITORS' REPORT

To the Shareholders of

### GFM RESOURCES LIMITED

We have audited the balance sheets of **GFM Resources Limited** as at December 31, 2003 and 2002 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, 2003 and 2002 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  
March 9, 2004

"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, 2003 and 2002

	2003	2002
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 114	\$ 3,770
GST recoverable	487	375
Prepaid expenses	550	697
	1,151	4,842
<b>Equipment (note 3)</b>	1,667	2,165
	\$ 2,818	\$ 7,007
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 9,046	\$ 9,943
Due to a related party (note 4)	126,564	88,534
	135,610	98,477
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Share capital (note 5)</b>	1,572,452	1,572,452
<b>Contributed surplus</b>	101,031	101,031
<b>Deficit</b>	(1,806,275)	(1,764,953)
	(132,792)	(91,470)
	\$ 2,818	\$ 7,007

Nature of operations and going concern (note 1)

Approved by the Directors:                     "Roberto Rivero"                      
Roberto Rivero

                    "Lizardo Galvan"                      
Lizardo Galvan

# GFM RESOURCES LIMITED

Statements of Operations and Deficit  
Years Ended December 31, 2003 and 2002

	2003	2002
<b>Revenue</b>		
Interest income	\$ 32	\$ 21
<b>Expenses</b>		
Administration and accounting	21,950	27,725
Amortization	498	657
Audit and legal	16,598	34,532
Consulting fees	-	737
Filing fees and transfer agent fees	11,169	12,662
Foreign exchange (gain) loss	(18,878)	2,573
General prospecting	-	2,400
Office and sundry	9,380	10,474
Promotion	637	445
Travel	-	476
	41,354	92,681
<b>Loss for the year</b>	(41,322)	(92,660)
<b>Deficit, beginning of year</b>	(1,764,953)	(1,672,293)
<b>Deficit, end of year</b>	\$ (1,806,275)	\$ (1,764,953)
<b>Loss per share - basic and diluted</b>	\$ (0.01)	\$ (0.02)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	6,185,016	6,019,289

# GFM RESOURCES LIMITED

Statements of Cash Flows  
Years Ended December 31, 2003 and 2002

	2003	2002
<b>Cash flows from (used in) operating activities</b>		
Loss for the year	\$ (41,322)	\$ (92,660)
Adjustments for items not involving cash:		
- amortization	498	657
- unrealized foreign exchange (gain) loss	(18,878)	1,806
	(59,702)	(90,197)
Changes in non-cash working capital items:		
- (increase) decrease in GST recoverable	(112)	418
- decrease in prepaid expenses	147	107
- Increase (decrease) in accounts payable and accrued liabilities	(897)	1,581
	(60,564)	(88,091)
<b>Cash flows from (used in) financing activities</b>		
Advances from a related party	56,908	87,507
Share issuance costs	-	(2,654)
	56,908	84,853
<b>Net decrease in cash</b>	<b>(3,656)</b>	<b>(3,238)</b>
<b>Cash, beginning of year</b>	<b>3,770</b>	<b>7,008</b>
<b>Cash, end of year</b>	<b>\$ 114</b>	<b>\$ 3,770</b>

# GFM RESOURCES LIMITED

Notes to Financial Statements  
December 31, 2003 and 2002

---

## 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 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. 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) Equipment

Equipment is 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, 2003 and 2002

---

## 2. Significant Accounting Policies (Cont'd)

### (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 Compensation

The Company does not recognize compensation expense when stock options are granted to employees under stock option plans. Any consideration paid by employees on exercise of stock options is credited to share capital.

For all direct awards of stocks 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, 2003 and 2002

## 3. Equipment

Equipment consists of the following:

	2003		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 4,860	\$3,647	\$1,213
Computer equipment and software	4,496	4,042	454
	<u>\$ 9,356</u>	<u>\$7,689</u>	<u>\$1,667</u>

  

	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>

## 4. Due to a Related Party

The amount due to the controlling shareholder, Grupo, is repayable in US dollars in the amount of US\$97,620 (2002 – US\$56,120). The amount owed is non-interest bearing and unsecured. There are no stated terms of repayment.

## 5. Share Capital

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

(b) Issued and outstanding:

	Shares	Amount
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
<u>Balance, December 31, 2002 and 2003</u>	<u>6,185,016</u>	<u>\$1,572,452</u>

There were no shares issued or cancelled during 2003.

# GFM RESOURCES LIMITED

Notes to Financial Statements  
December 31, 2003 and 2002

---

## 5. Share Capital (Cont'd)

### (c) Escrow Shares

750,000 of the common shares issued are held in escrow.

On August 20, 2003, the TSX Venture Exchange approved conversion of the Company's escrow shares to a time released escrow agreement as follows:

Release Dates	Total Number of Escrowed Securities to be Released
February 20, 2004	37,500
August 20, 2004	37,500
February 20, 2005	37,500
August 20, 2005	37,500
February 20, 2006	75,000
August 20, 2006	75,000
February 20, 2007	75,000
August 20, 2007	75,000
February 20, 2008	75,000
August 20, 2008	75,000
February 20, 2009	75,000
August 20, 2009	75,000
<b>Total</b>	<b>750,000</b>

On February 22, 2004, 37,500 common shares were released from escrow in accordance with the escrow agreement.

### (d) Stock Options

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

Changes in outstanding stock options were as follows:

	Number	Weighted Average Exercise Price
Options outstanding, December 31, 2001 and 2002	420,000	\$0.25
Exercised	-	-
Forfeited or expired	(150,000)	0.25
Granted	-	-
<b>Options outstanding, December 31, 2003</b>	<b>270,000</b>	<b>\$0.25</b>

As at December 31, 2003, the 270,000 outstanding stock options are all exercisable at an exercise price of \$0.25 each with remaining contractual life of 1.48 years. Each stock option entitles the holder to acquire one common share of the Company.

# GFM RESOURCES LIMITED

Notes to Financial Statements  
December 31, 2003 and 2002

---

## 6. Income Taxes

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

	2003	2002
Statutory income tax rate	38%	40%
Tax losses not benefited	(38%)	(40%)
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:

	2003	2002
Non-capital loss carryforward	\$ 249,000	\$ 275,000
Cumulative exploration and depletion expenses	127,000	134,000
Equipment	3,000	3,000
Less: Valuation allowance	(379,000)	(412,000)
Total	\$ -	\$ -

As at December 31, 2003, the Company's non-capital losses of approximately \$654,000 are carried forward for tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing from 2004 to 2010.

## 7. Related Party Transactions

- (a) The Company paid administration and accounting fees of \$12,125 (2002 - \$27,725) and rent of \$3,300 (2002 - \$4,400) to a company owned by an officer of the Company.
- (b) The Company received advances of \$56,908 (2002 - \$87,507) from a related party. The advances is non-interest bearing, unsecured and has no stated terms of repayment (see note 4).

## 8. 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. The Company has an amount due to a related party denominated in US dollars and may be subject to significant currency risk due to the fluctuations of exchange rate between the Canadian dollar and the US dollar. However, it is management's opinion that Company is not subject to significant interest and credit risks arising from these financial instruments.

## 9. Subsequent Events

See note 5(c).