

GFM RESOURCES LIMITED

(a development-stage company)

Form 51-102F1

Management's Discussion & Analysis

For the year ended December 31, 2006

This annual MD&A should be read in conjunction with the annual audited consolidated financial statements for the fiscal year ended December 31, 2006.

1.- Date of this report: April 24, 2006.

2.- Overall Performance and events

a) Description of Business

GFM Resources Limited (the "Company") 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's majority shareholder, Grupo Ferrominero, S.A. de C.V. ("Grupo") is a private Mexican holding company that also controls Compañía Minera Autlán S.A. de C.V. ("Autlan"), a company listed on the Mexican Stock exchange and active in manganese and ferroalloy operations in Mexico and South America. Grupo also controls other companies in domains such as electronics, energy, textiles and investment banking.

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.

During the year, the Company completed its initial exploration program at the Atexcaco mineral property, as described in Section 2(d) below.

b) Financings

On March 16, 2006, the Company completed a non-brokered private placement with arm's length parties consisting of 425,000 common shares at a price of \$0.40 per share, for proceeds of \$170,000. The cost of issuance was \$6,669. Proceeds from the Private Placement were being used to fund part of the exploration activities at the Atexcaco volcanogenic massive sulphide project (see (d), below).

On May 4, 2006, the Company was informed that Grupo had sold 500,000 of its shares at a price of \$0.50 per share. Accordingly, a Notice of Intention to Distribute Securities was filed by the Company on May 5, 2006. With the completion of the distribution, the Company now has the minimum of 200 public shareholders with a board lot without resale restrictions in accordance with TSX-V's Policy 2.1, section 4.5, *Distribution, Market Capitalization and Float Minimum Listing Requirements*, fulfilling a necessary step for a Mining Issuer towards meeting TSX-V Tier 2 requirements. As at the end of the fiscal year, and with the completion of these transactions, Grupo owns 10,159,890 common shares of the Company, equal to approximately 79% of the Company's current outstanding common shares. Jose Antonio Rivero, Chairman and non-Executive director of the Company, is the controlling shareholder of Grupo.

On May 23, 2006, Grupo exercised 1,198,500 share purchase warrants for proceeds to the Company of \$239,700. Grupo's warrants had been obtained as part of a non-brokered private placement originally announced on June 6, 2005.

During the fiscal year ended December 31, 2006, the Company received \$48,255 to fund its operations, and an additional \$100,000 was received subsequently and to the date of this MD&A.

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On March 1, 2007, the Company entered into a convertible loan agreement with Grupo. Under the terms of the Agreement, Grupo will fund amounts from time to time to a maximum of \$500,000, which is the limit established by NEX Policies, and will bear an interest rate equal to the Company's bank's Prime rate, measured from the date of the each advance.

Grupo has the right to convert the principal amount of each advance into units of the Company at the most recent closing price of the Company's common shares on the TSX Venture Exchange at the time of the advance. Each unit will consist of one common share and one share purchase warrant. Each warrant to be exercisable for a period of one year from the date of issuance at the conversion price.

The loan is payable on demand, and is subject to approval by the TSX Venture Exchange. Once this approval is received, the amounts received will be incorporated into the terms of the agreement.

c) Board and Officers

As at the date of this MD&A, the following are the Directors and Officers of the Company:

José Antonio Rivero	Director, Chairman	(Mexico)
Roman Friedrich III	Director, President and Chief Executive Officer	(Vancouver)
Erik C. Jurgensen	Director	(Mexico)
James Robertson, P.Eng.	Director	(Vancouver)
Salvador Miranda	Chief Financial Officer	(Vancouver)
Lizardo Galván	Chief Operating Officer	(Mexico)
Stephen Wortley	Secretary	(Vancouver)

Note: Mr. Eduardo Baer was a director, President and CEO of the Company from February 1, 2006 to September 30, 2006. Messrs. Pedro Reynoso and Lizardo Galván were directors of the Company until the June 29, 2006 annual general meeting.

d) Investment in mineral property

On November 18, 2005, the Company announced an option agreement with Grupo to earn an interest in Grupo's Atexcaco volcanogenic massive sulphide (VMS) project in the State of Puebla, in central Mexico. Details are as follows:

The property:

The Atexcaco VMS project, located at the intersection of Mexico's Eastern Sierra Madre and the Trans-Volcanic Belt, is comprised of 16 mining concessions totalling 15,964 Hectares. The project is divided into two distinct project areas, Aire Libre and Guadalupe. The Aire Libre VMS deposit was mined in the period between 1887 and 1939 by the Teziutlán Copper Company and then Asarco, with total historical production reported to have been about 2.3 million tonnes at a grade of 14% zinc, 3-10% copper, 5% lead, 100 grams silver per tonne and 2 grams gold per tonne. The Guadalupe project, located approximately 10 kilometres northwest of Aire Libre, includes an exploration drift within which a VMS-style massive sulphide horizon is exposed, although there is no recorded production.

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Some five kilometres to the NW of Guadalupe, and also covered by Grupo's concessions, is "El Aretón" project area, covering approximately 400 hectares. El Aretón is a gold-bearing vein prospect located approximately 4.5 kilometres northwest of Guadalupe.

A project location is available on the Company's website at www.gfm-resources.com under the "Projects" section.

The Option Agreement:

Under the terms of the option agreement, the Company can earn a 60% interest in Atexcaco by investing \$750,000 in exploration with the following investment schedule:

- \$200,000 by June 30, 2006 (\$345,945 had been spent to that date)
- An additional \$550,000 by June 30, 2007 (a total of \$362,068 had been spent to December 31, 2006).

If the Company invests amounts greater than the minimum for each year, the balance will be credited towards the amounts due the following year. The Company has the right to earn the 60% interest at any time by completing its investment schedule.

Once the 60% interest has been earned, the Company has a second option to earn the remaining 40% interest in Atexcaco by paying Grupo US \$1,000,000 in the following manner:

- US \$500,000 in cash
- US \$500,000 in cash or issue to Grupo such number of common shares of the Company as is equal to US \$500,000 divided by the Discounted Market Price.

This agreement has received approval from the TSX Venture Exchange.

Recent exploration work performed:

Grupo acquired the concessions in 1993 and has carried out exploration work during the past six years, including geochemistry, geophysics and detailed geology. A stream sediment sampling survey and reconnaissance geological mapping on Atexcaco was carried out in 1996, and in 1997 an airborne magnetic VLF-EM-radiometric survey was commissioned to Aerodat. During 1998 and 1999, Grupo carried out a grid-soil sampling and lithochemical rock sampling program.

In August 2002, the Company engaged consulting geologist C.F. Staargaard, P.Geo., to prepare a NI 43-101-compliant report on the Atexcaco VMS project as a precursor to GFM entering into an option agreement with Grupo to acquire the project. Mr. Staargaard's report found the Atexcaco VMS project to be of significant merit and recommended additional exploration in order to refine existing drill targets and locate new ones. However, market conditions did not allow the Company to contemplate seeking funding for the project at the time.

Between 1995 and 2005, Grupo and Autlan spent approximately US \$1.0 million on exploration of the Atexcaco VMS project.

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The Company's exploration program:

In November 2005, after signing the Option Agreement with Grupo, the Company carried out a complete compilation of all available information into a three dimensional model in order to define targets for drilling.

Prior to initiating the drilling, the Company secured the required land-access and environmental permits, and carried out preliminary work to facilitate access to the drill targets.

On March 16, 2006, the Company announced that it had retained Vancouver-based Energold Drilling Corp. to carry out approximately 3,000 meters of diamond drilling, and on April 6, 2006, the Company announced the start of diamond drilling in the immediate vicinity of the Aire Libre mine. Six targets representing potential extensions to historically mined mineralization, at depths ranging between 300 and 550 meters, were selected on the basis of detailed three dimensional modelling of the old mine workings, historical drilling and geological mapping. Core was logged and split on site under the supervision of GFM Resources geologists. Samples were prepared by ALS Chemex in Guadalajara, Mexico and then shipped to their facilities in Vancouver for analysis. Mr. Chris Staargaard, P.Geo. served as the Qualified Person (as defined by NI 43-101) for this project.

On July 13, 2006 the Company announced the completion of its initial diamond drill program. Ten diamond drill holes totalling approximately 3,000 metres were used to test a variety of targets representing potential extensions of the Aire Libre VMS deposit. Although a number of thin massive sulfide intervals were intersected in the recently completed drill program, none were of potentially economic thickness.

Subsequent to the completion of the drill program, the Company received a report from the Qualified Person on July 17, 2006, which included impressions, conclusions and recommendations on the project, and a budget and its corresponding schedule were elaborated for a second stage of exploration.

However, given the results to-date and the Qualified Person's report, the Company has decided not to continue with exploration at Atexcaco at this time, and to examine other mineral properties for potential acquisition. The amounts spent in exploration were therefore written down and charged to operations.

3.- Selected Annual Information

The following are summary figures for the last three fiscal years and are based on audited financial statements:

	Years ended December 31		
	2006	2005	2004
	\$	\$	\$
Interest revenue (net)	581	174	25
Net loss	(807,718)	(326,291)	(75,734)
Per share, basic & diluted	(0.07)	(0.04)	(0.01)
Total assets	14,646	196,163	8,921
Long term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

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4.- Results of Operations

The following table summarizes the Period's expenses, compared to the same period during the previous fiscal year:

	2006		2005	
<u>Cash expenses</u>	<u>\$</u>	<u>% of expenses</u>	<u>\$</u>	<u>% change</u>
Administration and accounting	59,871	20.14%	43,524	37.56%
Audit	24,378	8.20%	6,850	255.88%
Legal	30,216	10.16%	14,693	105.65%
Consulting fees	100,865	33.92%	7,600	1227.17%
Filing fees	3,981	1.34%	2,847	39.83%
Transfer agent fees	6,680	2.25%	6,066	10.12%
TSX sustaining fees	5,000	1.68%	5,000	0.00%
General prospecting	-	0.00%	5,454	-100.00%
Office rent	4,800	1.61%	7,200	-33.33%
Office	14,787	4.97%	3,005	392.09%
Promotion, news & dissemination	30,865	10.38%	972	3075.42%
Travel and automobile	15,707	5.28%	12,642	24.25%
Training and development	188	0.06%	75	151.28%
	<u>297,339</u>	<u>100.00%</u>	<u>115,928</u>	<u>156.49%</u>
<u>Non-cash expenses</u>				
Amortization expense & write-off equip.	677		194	
Property write-down	362,068			
Stock-based compensation	146,731		197,920	
Unrealized foreign exchange	1,484		12,423	
	<u>510,960</u>		<u>210,537</u>	
Total expenses	<u>808,299</u>		<u>326,465</u>	

Loss for the year was \$807,718 (2005: \$326,291). The main contributing differences were as follows:

- The write-down of the Atexcaco mineral property, discussed on Section 2(d) above.
- The non-cash stock-based compensation, discussed in Note 7(e) to the annual audited financial statements for the year ended December 31, 2006.
- Administration and accounting fees increased due to additional time required to prepare more elaborate financial statements, and due to activities related to the March 2006 private placement.
- Audit fees were also higher than during the previous year due to more stringent audit procedures resulting from new mandatory audit requirements.
- Legal fees increased in connection with the March 2006 private placement, and other legal work required during the year.
- Consulting fees are related to fees paid to the former president of the Company to September 30, 2006 (\$78,365) and to the current president from October to December 2006 (\$22,500), and

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detailed in Section 8 below. Except for \$8,000 paid in December 2005, there were no comparative consulting fees during that year.

- Office rent was lower, as the Company offices moved temporarily from July to September, 2006.
- Office expenses during the current period were significantly higher in items such as telephone, meals, postage & courier and supplies, related to the exploration activities.
- Promotion and news dissemination includes \$28,500 paid to a brokerage firm for the preparation of a marketing document for the Company. This marketing document was to be used in connection with the Company's financing activities.
- Traveling expenses related to visits the project, and in connection with the financing effort.
- All other expenses were comparable with those of the previous year, or the amounts are not material in comparison to the ones explained above.

The Company has no revenues other than interest from an interest-bearing chequing account and, from interest gained from time to time, when it may set aside funds in a short-term bank term deposit

5.- Summary of quarterly results:

	Quarter ended (three-month unaudited figures) (\$)							
	31-Dec 2006	30-Sep 2006	30-Jun 2006	31-Mar 2006	31-Dec 2005	30-Sep 2005	30-Jun 2005	31-Mar 2005
Interest revenue	6	8	7	695	-	-	4	10
Loss	(596,136)	(65,758)	(82,090)	(64,315)	(176,255)	(27,141)	(102,764)	(25,572)
Per share, basic and diluted	(0.04)	(0.01)	(0.01)	(0.01)	(0.02)	-	(0.02)	-
Total assets	14,646	409,687	432,967	317,019	196,163	212,862	241,457	4,639
Long term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The significantly high losses for the June 2005 and December 2006 quarters are due to the write-down of the Atexcaco mineral property (section 2(d)) and to the stock-based compensation recorded (see note 7(e) to the audited financial statements for the fiscal year ended December 31, 2006). During the last quarter of 2006, Grupo commenced funding of the company by way of a convertible loan described in Note 5 to the audited financial statements of the fiscal year ended December 31, 2006, thus the long-term liability figure for the last quarter.

The significant loss for the December 2005 quarter is due to an adjustment to the stock-based compensation resulting from the application of the *Black Scholes* option pricing model.

The increase in total assets in June 2005 is due to the cash raised through the private placement with a related party of \$239,700 that took place during that month.

The increase in total assets in March 2006 is due to the cash raised through the private placement of \$170,000 mentioned in Section 2(b) above. The increase in total assets shown for the June 2006 quarter reflects the cashed raised on exercise of share purchase warrants as described in Section 2(b).

Finally, the last quarter reflects the stock-based compensation charged on options granted in October 2006, and the write-down of the Atexcaco property.

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6.- Liquidity and Working Capital

At December 31, 2006, the Company had cash and cash equivalents and GST receivables of \$13,396 (2005: \$185,001), and a working capital (deficiency) of \$(101,671) (2005: \$146,923). This decrease in working capital is directly related to the drilling program, significant consulting fees and other expenses discussed in Section 4.

Receivables of \$6,977 (2005: \$3,627) include Canadian Goods and Services (GST) tax of \$1,494 (2005: \$2,061) and Mexican Value Added Tax ("IVA") of \$5,483 (2005: \$1,566).

Accounts payable and accrued liabilities of \$49,012 (2005: \$39,385) include current payables of \$9,297, and accruals for the 2006 audit, preparation of income tax return, annual filing fees and pending unbilled consulting fees.

Amounts due to related parties of \$18,915 (2005: \$493) includes certain services provided by Grupo to the Company's Mexican subsidiary.

Amounts due to Grupo Ferrominero of \$48,390 (2005: \$Nil) are related to the cash advances indicated in Section 2(b) above.

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.

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 Grupo's financial support.

At December 31, 2006, the Company had spent \$362,068 (2005: \$8,525) in exploration expenses that had originally been capitalized; however, as results of the drilling program at the Atexcaco property were inconclusive, the Company decided to take the more conservative approach to this capital commitment and write down the amount, which was charged to operations.

8.- Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, and no contingent liabilities or other obligations.

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9.- Transactions with Related Parties

- a) The Company paid \$78,365 (2005: \$Nil) to Mr. Eduardo Baer as part of his engagement as Chief Executive Officer of the Company. As indicated above, Mr. Baer's relationship with the Company terminated on September 30, 2006.
- b) The Company paid \$22,500 (2005: \$Nil) to Mr. Roman Friedrich in consulting fees as part of his engagement as President and Chief Executive Officer. Mr. Friedrich was appointed President & CEO on October 1, 2006, with a monthly compensation of \$7,500.
- c) The Company paid \$39,625 (2005: \$32,000) in accounting and office administration, and \$4,800 (2005: \$5,400) in office rent, respectively, to a company controlled by Mr. Salvador Miranda, Chief Financial Officer of the Company. Mr. Miranda was originally appointed as CFO on June 30, 2005, ceased to be CFO on June 29, 2006, and was reappointed to this position on October 25, 2006.
- d) The Company paid legal fees of \$28,106 (2005: \$13,578), and share issue costs of \$6,668 (2005: \$5,441) to a law firm where Mr. Stephen Wortley, the Company's Corporate Secretary, is Managing Partner of the law firm. The Corporate Secretary was appointed on June 30, 2005.
- e) The Company received \$239,700 (2005: \$239,700) from Grupo on exercise of 1,198,500 share purchase warrants with an exercise price of \$0.20 per warrant.
- f) The Company received \$48,255 (2005: \$47,317) and accrued interest of \$135 (2005: \$Nil) from Grupo Ferrominero from cash advances in order to fund the Company's operational needs.
- g) On October 25, 2006, the Company granted stock options to its directors and officers as detailed in Section 18, below.
- h) Included in accounts payable and accrued liabilities as at December 31, 2006 were \$5,029 (2005: \$5,738) due to Mr. Miranda in administration fees, office rent and reimbursable expenses, and \$4,017 (2005: \$1,071) to the law firm where Mr. Wortley is managing partner, and \$18,915 (2005: \$Nil) to Grupo in administrative services and reimbursable expenses related to the Company's subsidiary in Mexico.

10.-Fourth quarter 2006

The appointment as President and CEO marked the beginning of the last quarter of 2006. Activities during this quarter including the granting of new stock options to directors and consultants. The Company focused its efforts in the review of alternatives for exploration, and the preparation of a budget for the coming year

11.-Proposed Transactions

There are no specific proposed transactions as at the date of this MD&A.

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12.-Critical Accounting Estimates

Not applicable, as the Company is a venture issuer. Please refer to Note 2, Significant Accounting Policies, to the annual audited consolidated financial statements for the year ended December 31, 2006.

13.-Changes in Accounting Policies, including Initial Adoption

Beginning with the first quarter of 2007, the Company will adopt the following CICA guideline:

Section 3855 - Financial Instruments - Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value.

There is no expected material impact on the next interim financial statements due to the adoption of this guideline.

14.-Financial Instruments and other Instruments

The carrying value of cash, accounts receivable, prepaid expenses and deposits, accounts payable, and amounts due to related parties approximate their fair value due to the short-term nature of these instruments. It is management's opinion that Company is not subject to significant interest and credit risks arising from these financial instruments

15.-Disclosure and Internal Controls.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures, subject to certain limitations indicated below, were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

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Internal Controls and Procedures

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the fiscal year ended December 31, 2006.

The Company identified certain weaknesses and the need for improvement of controls and procedures in areas such as the segregation of duties, taxation, awareness of accounting implication of certain agreements and decisions, and control over the accounting process of its Mexican subsidiary. These weaknesses and their related risks are not uncommon in a company of the size of GFM, because of the limitations of size and number of staff.

Management is taking appropriate steps to further analyze areas of weakness, improve controls and reduce risks by taking active steps to design and implement procedures, including written documentation of these procedures, an increased oversight from the Board with more regularly-scheduled meetings, and the retaining of external independent advice in certain key accounting, taxation and legal issues, as the Company does not presently have internal personnel with all the technical accounting or legal knowledge to address the more complex transactions. With these measures the Company aims at reducing the likelihood of a material misstatement or untimely disclosure in financial reporting. However, at present there is no assurance that this risk can be reduced.

16.-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, Grupo 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 Grupo to meet its obligations, including the search for a property of merit.

Finally, operating in a specific country has legal, political and currency risks that must be carefully considered to ensure their level is commensurate to the Company's assessment of the project.

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17.-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 management discussion and analysis.

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

18.-Other MD&A requirements

- a) The Company, as a "venture issuer", is not required to prepare an Annual Information Form (AIF) at this stage.

Copies of all previously published financial statements, management discussions, meeting materials, etc., are available on the SEDAR 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 Note #1 to the annual audited consolidated financial statements for the year ended December 31, 2006.
 - ii) Section 5.4: Share Capital: please refer to Note #7 to the annual audited consolidated financial statements for the fiscal year ended December 31, 2006.

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As at the date of this MD&A, the Company has the following securities:

Common shares, issued and outstanding: 12,794,746 (450,000 of which remain in escrow)

Stock options: 905,000 with a weighted-average exercise price of \$0.26 per option and a weighted-average expected contractual life of 3.7 years from the date of this MD&A. Each option entitles its holder to purchase one common share of the Company.

The outstanding and exercisable options are allocated as follows:

Name	Position	No. of options	Exercise Price	Expiration Date
José Antonio Rivero	Director (Chairman)	106,500	\$0.10	June 30, 2010
		93,500	\$0.50	October 25, 2011
Roman Friedrich III	Director and Officer (President & CEO)	80,000	\$0.10	June 30, 2010
		105,000	\$0.50	October 25, 2011
Lizardo Galván	Officer (COO)	80,000	\$0.10	June 30, 2010
		40,000	\$0.50	October 25, 2011
James Robertson	Director	80,000	\$0.10	June 30, 2010
		40,000	\$0.50	October 25, 2011
Erik Jurgensen	Director	80,000	\$0.10	June 30, 2010
		40,000	\$0.50	October 25, 2011
Salvador Miranda	Officer (CFO)	64,000	\$0.10	June 30, 2010
		36,000	\$0.50	October 25, 2011
Stephen Wortley	Officer (Secretary)	16,000	\$0.10	June 30, 2010
		4,000	\$0.50	October 25, 2011
Sergio Hernández	Consultant (Exploration Mgr.)	32,000	\$0.10	June 30, 2010
		8,000	\$0.50	October 25, 2011
TOTAL		905,000	\$0.26	

The fully diluted capital of the Company as at the date of this MD&A is integrated as follows:

Shares issued and outstanding	12,794,746
Options outstanding and exercisable	905,000
Fully diluted	13,699,746

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