



(A development-stage company)

Consolidated Financial Statements

Years ended:

December 31, 2008 and 2007

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AUDITORS' REPORT

To the Shareholders of GFM Resources Limited

We have audited the consolidated balance sheet of GFM Resources Limited (the "Company") as at December 31, 2008 and the consolidated statement of loss, comprehensive loss and deficit, cash flows and changes in shareholders' equity for the year 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 audit.

We conducted our audit 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2007 and for the year then ended were audited by Ernst & Young LLP who expressed an opinion without reservation on those statements in their report dated April 25, 2008.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
April 22, 2009

GFM RESOURCES LIMITED

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CONSOLIDATED BALANCE SHEETS*[Note 1 - Nature of Operations, Basis of Presentation and Going Concern Uncertainty]*

(Expressed in Canadian Dollars)

As at December 31	2008	2007
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	22,311	29,444
Accounts receivable	13,860	14,257
Prepaid expenses and deposits	-	1,250
	36,171	44,951
LIABILITIES		
Current		
Accounts payable and accrued liabilities	36,316	23,381
Due to related parties [Note 7]	87,730	104,897
Obligation to issue shares [Note 10]	37,500	-
Liability component of convertible loan [Note 4]	418,123	273,640
	579,669	401,918
SHAREHOLDERS' DEFICIENCY		
Share capital [Note 5]	2,468,666	2,468,666
Contributed surplus [Note 5]	489,308	445,681
Equity component of convertible loan [Note 4]	112,487	47,143
Deficit	(3,613,959)	(3,318,457)
	(543,498)	(356,967)
	36,171	44,951

*See accompanying notes***On behalf of the Board:**"Roman Friedrich"

Director

"James Robertson"

Director

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CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(Expressed in Canadian Dollars)

Years ended December 31	2008	2007
	\$	\$
EXPENSES		
Administration and accounting [Note 7]	54,021	59,328
Accretion of convertible loan [Note 4]	16,607	5,960
Audit and legal [Note 7]	56,807	45,979
Consulting [Note 7]	75,218	144,030
Filing and transfer agent fees	14,302	13,963
Foreign exchange gain	(734)	(5,829)
Office and sundry	11,040	12,200
Stock-based compensation	43,627	-
News dissemination	1,180	850
Travel	9,857	13,295
Training and Development	-	1,230
Loss before other income and expenses	(281,925)	(291,006)
Other income (expenses)		
Interest income	5	-
Option payment income [Note 10]	9,638	-
Interest expense [Note 4]	(23,220)	(11,433)
Loss and comprehensive loss for the year	(295,502)	(302,439)
Deficit, beginning of year	(3,318,457)	(3,016,018)
Deficit, end of year	(3,613,959)	(3,318,457)
Loss per share (basic and diluted)	(0.02)	(0.02)
Weighted average number of shares outstanding (basic and diluted)	12,794,746	12,794,746

See accompanying notes

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

Years ended December 31	2008	2007
	\$	\$
Operating activities		
Loss for the year	(295,502)	(302,439)
Adjustments for items not involving cash:		
- Accretion expense [Note 4]	16,607	5,960
- Non-cash interest on loan from Grupo Ferrominero	23,220	11,433
- Obligation to issue shares [Note 10]	37,500	-
- Stock-based compensation	43,627	-
	(174,548)	(296,479)
Changes in non-cash working capital items:		
- Decrease (increase) in accounts receivable	397	(7,280)
- Decrease in prepaid expenses and deposits	1,250	-
- Increase (decrease) in accounts payable and accrued liabilities	12,935	(16,585)
- (Decrease) increase in amounts due to related parties	(17,167)	76,936
	(177,133)	(231,975)
Cash flows from financing activities		
Convertible loan from Grupo Ferrominero [Note 4]	170,000	255,000
	170,000	255,000
Net (decrease) increase in cash	(7,133)	23,025
Cash, beginning of year	29,444	6,419
Cash, end of year	22,311	29,444
Supplementary information:		
Income taxes paid in cash	-	-
Interest paid in cash	-	-

See accompanying notes

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2008 and 2007

(Expressed in Canadian Dollars)

	Common shares		Contributed surplus	Equity portion of convertible loan	Deficit	Total
	Amount	Value				
		\$	\$	\$	\$	\$
Balance, December 31, 2006	12,794,746	2,468,666	445,681	-	(3,016,018)	(101,671)
Convertible loan with related party	-	-	-	47,143	-	47,143
Net loss and comprehensive loss for the year	-	-	-	-	(302,439)	(302,439)
Balance, December 31, 2007	12,794,746	2,468,666	445,681	47,143	(3,318,457)	(356,967)
Convertible loan with related party	-	-	-	65,344	-	65,344
Grant of stock options	-	-	43,627	-	-	43,627
Net loss and comprehensive loss for the year	-	-	-	-	(295,502)	(295,502)
Balance, December 31, 2008	12,794,746	2,468,666	489,308	112,487	(3,613,959)	(543,498)

See accompanying notes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

1. Nature of Operations, Basis of Presentation 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 Company is in the business of acquisition, exploration and development of mineral properties.

These consolidated 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 for the foreseeable future.

At December 31, 2008, the Company had shareholders' deficiency amounting to \$543,498 and negative working capital of (\$543,498). The Company has incurred significant losses since inception. Continued operations of the Company are dependent on the Company's ability to obtain public equity financing or receive continued financial support from its controlling shareholder, Compañía Minera Autlán, S.A. de C.V. ("Autlan"), in turn controlled by Grupo Ferrominero S.A. de C.V. ("Grupo") [note 8]. There is significant doubt as to whether or not the Company will be successful in achieving these goals and, accordingly, the appropriateness of the going concern assumption.

These consolidated 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.

2. Significant Accounting Policies

These consolidated financial statements have been prepared within the framework of the significant accounting policies provided as follows:

(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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amount of revenues and expenses reported during the year. Actual results may differ from those estimates.

(b) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned Mexican subsidiary GFM Resources de Mexico, S.A. de C.V. Inter-company accounts and transactions have been eliminated.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

2. Significant Accounting Policies (cont'd...)

(c) Foreign Currency Translations

Assets and liabilities denominated in foreign currencies, including those of the Company's foreign integrated subsidiary, 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. Gains and losses on translation are included in income for the year.

(d) Loss Per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted 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 share 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 liability method pursuant to Section 3465, Income Taxes, of *The Handbook of the Canadian Institute of Chartered Accountants ("CICA")*. 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 future taxes of a change in tax rates is recognized in income in the year 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

Stock option awards granted to directors, officers, employees and consultants of the Company require the application of the fair value method, whereby the fair value of the award is determined at the grant date and the cost recognized in the Statement of Loss over the expected vesting period. The vesting period is determined by the board of directors at granting.

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 an expected life of the options. The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

2. Significant Accounting Policies (cont'd...)

(g) Mineral Properties

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property or cost recoveries when the payments are made or received.

(h) Financial Instruments

Effective January 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

2. Significant Accounting Policies (cont'd...)

(h) Financial Instruments (cont'd...)

As a result of the adoption of these new standards, the Company has classified its cash equivalents as held-for-trading. Receivables are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities, amounts Due to Related Parties and the liability component of the Convertible Loan are classified as other financial liabilities, all of which are measured at amortized cost. The Company has maintained its policy not to use hedge accounting.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

There were no effects to opening balances as at January 1, 2007 as a result of the application of this policy.

3. Changes in Accounting Policies

(a) Recent accounting pronouncements

The CICA has issued certain new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company adopted the requirements commencing in the interim period ended March 31, 2008.

Section 1400 – Assessing Going Concern

This Section was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The disclosures required as a result of this assessment are provided in note 1.

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital;
- (ii) summary quantitative data about what it manages as capital;
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The Company has included the disclosures recommended by this new Handbook section (note 11).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. Changes in Accounting Policies (cont'd...)

Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- (i) designating financial assets and liabilities as held for trading;
- (ii) designating financial assets as available-for-sale; and
- (iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

The Company has included the disclosures recommended by the new Handbook section (note 8).

Section 3863 – Financial Instruments - Presentation This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The presentation requirements established by this Handbook Section are included in the accompanying financial statements and in note 4.

(b) Future accounting pronouncements

The following Sections, which have been pronounced but are not yet effective, are expected to have an impact on the Company in the coming years:

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

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4. Due to Grupo Ferrominero

On March 1, 2007, the Company entered into a convertible Loan Agreement (the "Loan Agreement") with Grupo. Under the terms of the Loan Agreement, Grupo will fund amounts from time to time to a maximum of \$500,000 per year. Each advance will bear interest, commencing on the date of the advance, at the Prime Rate offered by the Company's bank on such date. The loan is repayable on demand.

Under the terms of the Loan Agreement, Grupo has the right to convert the principal amount of each advance into units of the Company at the closing price of the Company's common shares on the TSX Venture Exchange on the day before the advance (the "Conversion Price"). Each unit will consist of one common share and one common share purchase warrant. Each warrant will be exercisable for a period of one year from the date of issuance at the Conversion Price.

On September 30, 2007, an Amending Agreement was entered into whereby, should Grupo exercise its conversion right after one year from the date of the advance, then the principal amount of the advance will be converted only into common shares of the Company at the Conversion Price, instead of into units consisting of one common share and one share purchase warrant. Furthermore, the convertibility provision will be restricted to a maximum of five years from the date of each advance.

During the year ended December 31, 2008, the Company received from Grupo an aggregate of \$170,000 (2007: \$255,000) in various advances to fund the Company's operations.

The Company has accounted for the convertible loan in accordance with its substance following the guidance of EIC 164 "Convertible and Other Debt Instruments with Embedded Derivatives". The convertible loan has been split into an equity element representing the conversion feature and a liability element representing the debt component.

The liability element has been calculated as the present value of the stream of interest and principal payments discounted at a rate approximate to the interest for a similar liability without a conversion feature. The difference between the principal owing and the liability element of \$418,123 (2007: \$273,640) has been recorded as the equity element in the amount of \$112,487 (2007: \$47,143).

The debt discount is accreted over the expected term to maturity with an expense recorded in the statement of loss of the year. As at December 31, 2008, \$34,788 (2007: \$11,568) has been accrued as interest on the convertible debt.

The balances on the convertible loan as at December 31 are as follows:

	2008	2007
	\$	\$
Amounts advanced	473,255	303,255
Less equity portion	(112,487)	(47,143)
Add accrued interest	34,788	11,568
Add accrued accretion expense	22,567	5,960
	<u>418,123</u>	<u>273,640</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. Share Capital

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

b) Issued and outstanding:

	Shares	Amount
Balance, December 31, 2008, 2007 and 2006	12,794,746	\$ 2,468,666

c) Escrow shares:

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

Release dates	Total number of escrowed securities to be released
February 20, 2009	150,000
August 20, 2009	75,000
	225,000

d) Warrants

No warrants are outstanding as at December 31, 2008 and 2007.

e) Stock Options

On May 23, 2006 the Board of Directors terminated the 1997 Plan and approved the adoption of a new incentive stock option plan (the "2006 Plan"), which was approved by the shareholders on June 29, 2006, and ratified by the shareholders on June 27, 2007 and June 24, 2008. Options granted under the 1997 Plan were rolled into the new 2006 Plan. The 2006 plan allows grants of options to a maximum of 10% of the issued and outstanding shares of the Company at any time.

The Company uses the fair-value method for stock options granted to directors, officers and consultants. During the year ended December 31, 2008, the Company granted an aggregate of 330,000 stock options, vesting in six month intervals over a period of 18 months, to its directors, officers and consultants with an exercise price of \$0.25 per option until March 11, 2013, and charged \$43,627 of pro-rated stock-based compensation expense to the statement of loss and contributed surplus.

The weighted-average fair value of the options granted during the year ended December 31, 2008 was \$0.17 per option using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 3.03%, dividend yield of 0%, volatility of 83.68% and expected life of five years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

5. Share Capital (cont'd...)

e) Stock Options (cont'd...)

Stock options outstanding and exercisable as at, December 31, 2008:

	Options	Weighted average exercise price \$	Expiry date
Balance, December 31, 2006 and 2007 ⁽¹⁾	905,000	0.26	
Granted, March 11, 2008	330,000	0.25	March 11, 2013
Balance outstanding, December 31, 2008	1,235,000	0.26	
Balance exercisable, December 31, 2008	1,015,000	0.26	

⁽¹⁾ Of the 905,000 options outstanding as at December 31, 2007, 538,600 have an exercise price of \$0.10 per share and an expiry date of June 30, 2010, and 366,500 have an exercise price of \$0.50 per share with an expiry date of October 25, 2011.

As at December 31, 2008, the weighted average remaining contractual life is 2.61 years. Each stock option entitles the holder to acquire one common share of the Company.

f) Contributed Surplus

	\$
Balance, December 31, 2007 and December 31, 2006	445,681
Pursuant to the granting of 330,000 stock options with an exercise price of \$0.25 per option with an expiry date of March 11, 2013	43,627
Balance, December 31, 2008	489,308

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

6. Income taxes

The reconciliation of income tax attributable to operations computed at the statutory tax rate to income tax expense (recovery), using a 31.00% [2007 – 34.12%] statutory tax rate, at December 31 is as follows:

	2008 \$	2007 \$
Loss for the year	(291,189)	(302,439)
Tax recovery at statutory tax rate	(90,000)	(103,000)
Permanent differences	14,000	
Change in valuation allowance	42,000	(34,000)
Effect in change in tax rates	63,000	
Other	(29,000)	137,000
Income tax expense (recovery)	-	-

The Company has \$1,125,459 (2007 - \$955,420) of non-capital losses available for income tax purposes to reduce taxable income of future years. These non-capital losses will expire commencing in 2009 to 2028.

The Company also has available unclaimed foreign exploration and development expenditures of approximately \$686,107 (2007 - \$509,734) which may be carried forward indefinitely and used to reduce future taxable income.

Future income tax benefits which may arise as a result of non-capital losses and unclaimed foreign exploration and development expenditures have not been recognized in these financial statements as their realization is uncertain. The significant components of the Company's future income tax assets are as follows:

	2008 \$	2007 \$
Non-capital losses carried forward	321,000	327,000
Share issuance costs	1,000	2,000
Exploration and depletion expenditures carried forward	196,000	147,000
	518,000	476,000
Valuation allowance	(518,000)	(476,000)
	-	-

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7. Related party transactions

During the year ended, December 31, 2008, the Company:

- Paid \$91,218 (2007: \$90,000) in consulting fees to a company controlled by the President of the Company. During the current fiscal year the Company eliminated an accrual of \$16,000 from fiscal 2006, which were paid to the President of the Company by Grupo.
- Paid \$54,000 (2007: \$54,000) in administration fees and \$7,200 (2007: \$7,200) in office rent to a company controlled by the Chief Financial Officer of the Company.
- Paid legal expenses of \$19,191 (2007: \$18,586), including share issue costs, to a law firm where the Company's Secretary is managing partner.
- Received \$170,000 (2007: \$255,000) from Grupo in loan advances to fund operations and accrued interest thereon of \$34,788 (2007: \$11,568).
- Paid \$5,237 (2007: \$Nil) to Grupo under the Acquisition Agreement (note 10).
- Acquired the obligation to issue 150,000 common shares to Grupo under the Purchase Agreement (note 10).
- On March 11, 2008, the Company granted an aggregate 330,000 options, 290,000 of which were granted to directors and officers of the Company (Note 6e).

Included in amounts due to related parties as at December 31, 2008 are \$5,433 (2007: \$5,518) owed to a company controlled by an officer of the Company for administration and reimbursable expenses and \$80,507 (2007: \$81,097) owed to Grupo or companies controlled by Grupo for services provided to the Company's Mexican subsidiary.

Management is of the opinion that these transactions have occurred in the normal course of operations and are measured at the exchange amount, being the amount of consideration established and agreed to by the transacting parties.

8. Financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties approximate their fair value due to the short-term nature of these instruments. The Company determines the carrying amount of Convertible loan by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component.

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 December 31, 2008, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

8. Financial instruments (cont'd...)

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.

Accounts receivable consist of goods and services tax due from the Federal Government of Canada, and Mexican Value Added Tax due from the Mexican Government. Management believes that the credit risk with respect to receivables is remote.

Liquidity risk

The Company currently depends on the advances provided by Grupo through the convertible loan instrument (note 4). The liquidity risk relates to the low cash position and the dependence on these advances. See note 1 for further discussion regarding liquidity risks.

9. Change of majority shareholder

On July 9, 2007, Autlan, a Mexican public company controlled by Grupo, acquired 9,672,390 common shares of the Company from Grupo in a private transaction, thus becoming the new controlling shareholder of the Company. As Grupo controls approximately 80% of Autlan, there is no effective change of control for the Company.

10. La Casita Project Option

On May 13, 2008, the Company entered into a formal Purchase and Sale Agreement (the "Purchase Agreement") to acquire from Grupo the "La Casita" mineral property, formerly known as El Rodeo property ("the Acquisition") in the state of Durango, Mexico. The property is integrated by three mineral claims and two claim applications that were originally owned by Grupo. During the year ended December 31, 2008, cession of rights contracts in favour of the Company were introduced with the Mexican mining ministry.

Concurrently, the Company entered into a Letter of Intent, and on August 8, 2008 entered into a formal Option Agreement (the "Option Agreement"), to option the property to Geologix Explorations Inc. (TSXV: GIX "Geologix").

Under the terms of the Purchase Agreement, the Company will pay Grupo a consideration of 150,000 common shares for the acquisition of 100% of the rights to the claims comprising the La Casita property. The Company will also pay Grupo 10% of the cash amounts received from Geologix under the Option Agreement, following the same payment calendar as stipulated hereunder.

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10. La Casita Project Option (cont'd...)

Under the terms of the Option Agreement, in order to acquire a 60% interest in La Casita, Geologix will:

(i) Pay the Company US \$650,000 in cash over a period of up to four years as follows

a.	On signature of a definitive agreement	US	\$50,000 (Paid)
b.	On or before the first anniversary thereof	US	\$100,000
c.	On or before the second anniversary thereof	US	\$125,000
d.	On or before the third anniversary thereof	US	\$150,000
e.	On or before the fourth anniversary thereof	US	<u>\$225,000</u>
Total		US	\$650,000

(ii) Fund 100% of an exploration program totalling US \$1,875,000, as follows:

a.	On or before the first anniversary	US	\$125,000
b.	On or before the second anniversary	US	\$250,000
c.	On or before the third anniversary	US	\$500,000
d.	On or before the fourth anniversary	US	<u>\$1,000,000</u>
Total		US	\$1,875,000

Geologix will maintain the mineral concessions in good standing over the term of the option, and will have the right to accelerate the schedule of payments and work expenditures to earn its 60% interest.

Once Geologix has earned its 60% interest in La Casita, a joint venture between Geologix and the Company will be formed. The initial operator will be Geologix (the "Operator"). The Operator will have three years to carry out further exploration, with a minimum annual expenditure budget of US\$625,000. Both parties may elect to contribute to the proposed budget or have their interest diluted.

A feasibility study may be proposed by the Operator or by the other party if the Operator fails to do so, within three months of the end of the three-year joint venture period. If one of the parties elects not to participate in the funding of the feasibility study, the other party will earn an additional 11% interest in the joint venture by the completion of a positive feasibility study. If the feasibility study recommends taking the property into production and one of the parties does not elect to participate, the other party will earn a further 9% interest.

GFM RESOURCES LIMITED
(A development-stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

10. La Casita Project Option (cont'd...)

During the year ended December 31, 2008, the Company recorded the following amounts in respect of La Casita transaction:

Obligation to issue 150,000 common shares at a deemed price of \$0.25 per share	\$ (37,500)
Option payment of US \$50,000 received under the Option Agreement	52,375
10% of the above amount paid to Grupo under the Acquisition Agreement	(5,237)
	<u>\$ 9,638</u>

The payments received under the Option Agreement are applied to any deferred mineral property costs, with any surplus credited to other income.

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 issuance of common shares and the funds received from Grupo as a part of Loan Agreement.

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.

As at December 31, 2008, the Company had no bank indebtedness.

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash with institutions of high credit worthiness. At December 31, 2008, the Company had cash of \$22,311 (December 31, 2007: \$29,444).

The Company is not subject to any externally imposed capital requirements.

12. Subsequent event

Subsequent to December 31, 2008, the Company has received a further advance of \$80,000 pursuant to the Loan Agreement (note 4).