



(A development-stage company)

## **Consolidated Financial Statements**

Six months ended:

June 30, 2009 and 2008

### **Index**

Consolidated Balance Sheets

Consolidated Statements of Loss, Comprehensive Loss and Deficit

Consolidated Statements of Cash Flows

Consolidated Statement of Changes in Shareholders' Equity

Notes to Consolidated Financial Statements

**NOTICE THAT THESE FINANCIAL STATEMENTS HAVE  
NOT BEEN REVIEWED BY AN AUDITOR**

The Issuer's auditors have not reviewed or been involved  
in the preparation of these financial statements.

---

**GFM RESOURCES LIMITED**

(a development-stage company)

**CONSOLIDATED BALANCE SHEETS***[Note 1 - Nature of operations and basis of presentation]*

(Expressed in Canadian Dollars)

---

	As at	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		11,396	22,311
Accounts receivable		17,636	13,860
		<b>29,032</b>	<b>36,171</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		17,615	36,316
Due to related parties [Note 7]		100,035	87,730
Obligation to issue shares [Note 9]		37,500	37,500
Liability component of convertible loan [Note 4]		519,559	418,123
		<b>674,709</b>	<b>579,669</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital [Note 5]		2,468,666	2,468,666
Contributed surplus [Note 5]		495,924	489,308
Equity component of convertible loan [Note 4]		169,464	112,487
Deficit		<b>(3,779,731)</b>	<b>(3,613,959)</b>
		<b>(645,677)</b>	<b>(543,498)</b>
		<b>29,032</b>	<b>36,171</b>

---

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

Director

*"James Robertson"*

Director

## GFM RESOURCES LIMITED

(a development-stage company)

### CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>EXPENSES</b>				
Administration and accounting [Note 7]	13,500	13,500	27,000	27,000
Accretion of convertible loan [Note 4]	7,947	2,952	14,292	5,423
Audit and legal [Note 7]	14,416	21,177	28,757	30,726
Consulting [Note 7]	22,500	22,500	45,000	45,000
Filing and transfer agent fees	2,617	4,156	7,586	7,979
Foreign exchange loss (gain)	348	2,374	(159)	7,119
Office and sundry	4,094	3,511	6,839	6,079
Stock-based compensation	-	18,691	6,616	20,730
News dissemination	-	168	-	872
Travel	8,906	-	15,721	2,223
<b>Loss before other income and expenses</b>	<b>(74,328)</b>	<b>(89,029)</b>	<b>(151,652)</b>	<b>(153,151)</b>
<b>Other income and expenses</b>				
Interest income	-	914	1	1,281
Interest expense [Note 4]	(7,315)	(5,624)	(14,121)	(10,418)
Loss and comprehensive loss for the period	(81,643)	(93,739)	(165,772)	(162,288)
Deficit, beginning of the period	(3,698,088)	(3,387,006)	(3,613,959)	(3,318,457)
<b>Deficit, end of the period</b>	<b>(3,779,731)</b>	<b>(3,480,745)</b>	<b>(3,779,731)</b>	<b>(3,480,745)</b>
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding				
(basic and diluted)	12,794,746	12,794,746	12,794,746	12,794,746

See accompanying notes

# GFM RESOURCES LIMITED

(a development-stage company)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, prepared by management)

(Expressed in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operating activities</b>				
Loss for the year	(81,643)	(93,739)	(165,772)	(162,288)
Adjustments for items not involving cash:				
- Accretion expense [Note 5]	7,947	2,952	14,292	5,423
- Increase in interest due to convertible loan [Note 4]	7,315	10,418	14,121	10,418
- Stock-based compensation	-	18,691	6,616	20,730
	(66,381)	(61,678)	(130,743)	(125,717)
Changes in non-cash working capital items:				
- Increase in accounts receivable	(2,634)	(1,282)	(3,776)	(3,160)
- Increase in prepaid expenses and deposits	-	(7,500)	-	(7,500)
- Decrease in accounts payable and accrued liabilities	(27,188)	(11,866)	(18,701)	(4,946)
- Increase in amounts due to related parties	10,888	3,551	12,305	14,860
	(85,315)	(78,775)	(140,915)	(126,463)
<b>Cash flows from financing activities</b>				
Convertible loan from Grupo/Autlan [Note 4]	50,000	80,000	130,000	120,000
	50,000	80,000	130,000	120,000
<b>Net (decrease) increase in cash</b>	(35,315)	1,225	(10,915)	(6,463)
<b>Cash, beginning of period</b>	46,711	21,756	22,311	29,444
<b>Cash, end of period</b>	11,396	22,981	11,396	22,981
<b>Supplementary information:</b>				
Income taxes paid in cash	-	-	-	-
Interest paid in cash	-	-	-	-

See accompanying notes

## GFM RESOURCES LIMITED

(a development-stage company)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, prepared by management)

For the six months ended June 30, 2009

(Expressed in Canadian Dollars)

	Common shares		Contributed surplus	Equity portion of convertible loan	Deficit	Total
	Amount	Value				
		\$	\$	\$	\$	\$
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)
Convertible loan with related party	-	-	-	56,977	-	56,977
Vesting of stock options	-	-	6,616	-	-	6,616
Net loss and comprehensive loss for the period	-	-	-	-	(165,772)	(165,772)
Balance, June 30, 2009	12,794,746	2,468,666	495,924	169,464	(3,779,731)	(645,677)

See accompanying notes

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**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 June 30, 2009, the Company had shareholders' deficiency amounting to \$645,677 and working capital deficiency of (\$645,677). 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 to receive continued financial support from its controlling shareholder, Compañía Minera Autlán, S.A.B. 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.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**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.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**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

The Company classifies all financial instruments as held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statements of operations. Transaction costs are expensed as incurred.

The Company has designated its cash as held-for-trading, which is measured at fair value. Receivable amounts are classified as loan and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost. The fair values of cash and accounts payable approximate their carrying values due to the short term to maturity of these financial instruments. The Company has no derivative financial instruments.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**3. Changes in Accounting Policies**

(a) Recent accounting pronouncements

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173 - *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173") which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's financial statements effective January 1, 2009, with retroactive application. The adoption of EIC-173 did not have a material impact on these interim consolidated financial statements.

In March 2009, the CICA issued Emerging Issues Committee Abstract 174 - *Mining Exploration Costs* ("EIC-174") which amends EIC-126 - *Accounting by Mining Enterprises for Exploration Costs*, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs are required. EIC-174 is applicable for the Company's financial statements effective January 1, 2009, with retroactive application. The adoption of EIC-174 did not have a material impact on these interim consolidated financial statements.

(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:

In January 2009, the CICA issued Handbook Sections 1582, *Business Combinations*, ("Section 1582"), 1601, *Consolidated Financial Statements*, ("Section 1601") and 1602, *Non-controlling Interests*, ("Section 1602") which replaces CICA Handbook Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS").

Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company is evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**4. Due to Grupo Ferrominero / Autlan**

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.

Since the sale in 2007 of the majority of the Company's shares owned by Grupo to Autlan, Autlan has been providing the advances under the exact same terms.

During the six months ended June 30, 2009, the Company received from Grupo/Autlan an aggregate of \$130,000 (2008: \$120,000) 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 \$519,559 (December 31, 2008: \$418,123) has been recorded as the equity element in the amount of \$169,464 (December 31, 2008: \$112,487).

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 June 30, 2009, \$48,908 (December 31, 2008: \$34,788) has been accrued as interest on the convertible debt.

The balances on the convertible loan as at June 30 are as follows:

	June 30, 2009	December 31, 2008
	\$	\$
Amounts advanced	603,255	473,255
Less equity portion	(169,464)	(112,487)
Add accrued interest	48,908	34,788
Add accrued accretion expense	36,860	22,567
	<u>519,559</u>	<u>418,123</u>

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**5. Share Capital**

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

b) Issued and outstanding:

	Shares	Amount
Balance, June 30, 2009, December 31, 2008, and 2007	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
August 20, 2009	75,000
	75,000

d) Warrants

No warrants are outstanding as at June 30, 2009.

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. In March 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 \$6,616 of pro-rated stock-based compensation expense to the statement of loss and contributed surplus for the six months ended June 30, 2009.

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.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

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

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

Stock options outstanding and exercisable as at, June 30, 2009:

	Options	Weighted average exercise price \$
Balance, December 31, 2007	905,000	0.26
Granted, March 11, 2008	330,000	0.25
Balance outstanding, December 31, 2008	1,235,000	0.26
Re-pricing of options <sup>(1)</sup>	(366,500)	0.50
Re-pricing of options <sup>(1)</sup>	(330,000)	0.25
Re-pricing of options <sup>(1)</sup>	695,500	0.10
Balance outstanding, June 30, 2009	1,235,000	0.10
Balance exercisable, June 30, 2009	1,125,000	0.10

Each option entitles the holder to purchase one common share of the Company. At June 30, 2009, the following stock options are outstanding with average remaining life of 2.11 years:

Number of options	Weighted average exercise price	Expiry date
20,000	\$0.10	September 19, 2009 <sup>(2)</sup>
522,500	\$0.10	June 30, 2010
362,500	\$0.10	October 25, 2011
330,000	\$0.10	March 11, 2013
1,235,000	\$0.10	

<sup>(1)</sup> On June 19, 2009, the disinterested shareholders of the Company approved the re-pricing to \$0.10 of the exercise price of 366,500 stock options previously granted with an exercise price of \$0.50 and 330,000 stock options previously granted with an exercise price of \$0.25. All outstanding stock options are now exercisable at \$0.10.

<sup>(2)</sup> Mr. Stephen Wortley was Corporate Secretary until June 19, 2009; the options will expire 90 ninety days thereafter pursuant to provisions of the Company's Stock Option Plan.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

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

f) Contributed Surplus

	\$
Balance, December 31, 2007	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
Stock based compensation	6,616
Balance, June 30, 2009	495,924

**6. Income taxes**

Please refer to Note #6 to the Audited Financial Statements for December 31, 2008. There is no tax calculation specifically performed for this interim period.

**7. Related party transactions**

During the six months ended June 30, 2009, the Company:

- Paid \$45,000 (2008: \$45,000) in consulting fees to a company controlled by the President of the Company.
- Paid \$27,000 (2008: \$27,000) in administration fees and \$3,600 (2008: \$3,600) in office rent to a company controlled by the Chief Financial Officer of the Company.
- Paid legal expenses of \$15,539 (2008: \$13,843), including share issue costs, to a law firm where the Company's Secretary is managing partner.
- Received \$130,000 (2008: \$120,000) from Grupo in loan advances to fund operations and accrued interest thereon of \$48,908 (December 31, 2008: \$34,788).

Included in amounts due to related parties as June 30, 2009 are \$5,518 (December 31, 2008: \$5,433) owed to a company controlled by an officer of the Company for administration and reimbursable expenses, \$nil (December 31, 2008: \$1,411) owed to a company controlled by a director of the Company for administration and reimbursable expenses, \$4,035 (December 31, 2008: \$379) owed to a law firm where the Company's Secretary is managing partner, and \$90,482 (December 31, 2008: \$80,507) 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.

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**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 June 30, 2009, 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.

**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. La Casita Project Option**

On May 13, 2008, the Company entered into a 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").

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**9. La Casita Project Option (cont'd...)**

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 would also pay Grupo 10% of the cash amounts received from Geologix under the Option Agreement.

Under the terms of the Option Agreement, in order to acquire a 60% interest in La Casita, Geologix would have paid \$650,000 in cash over a period of up to four years. Of this amount US \$50,000 were paid on signature in 2008, and would fund a total of US \$1,875,000 for an exploration program. Geologix fulfilled its exploration funding requirements for the first year of the Option Agreement.

However, on July 4, 2009, Geologix notified the Company of the termination of the Option Agreement. Geologix has funded the mineral rights corresponding to the second semester of 2009.

No transactions took place with respect to this Option Agreement during the six months ended June 30, 2009.

The US \$50,000 payment received in 2008 under the Option Agreement was applied to deferred mineral property costs, with the surplus credited to other income.

**10. 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 June 30, 2009, 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. On June 30, 2009, the Company had cash of \$11,396 (December 31, 2008: \$22,311).

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

**GFM RESOURCES LIMITED**  
(A development-stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**11. Subsequent events**

- a) Subsequent to June 30, 2009, the Company received a further advance of \$30,000 in cash from its majority shareholder pursuant to the Loan Agreement.
- b) As indicated in Note 9, the La Casita Option Agreement with Geologix was terminated on July 4, 2009.