

HMZ METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of HMZ Metals Inc. ("HMZ" or the "Company"), is prepared as of May 30, 2008 and constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2007.

This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2007. This MD&A is expressed in Canadian dollars unless otherwise noted.

Cautionary Note on Forward-Looking Statements and Risk Factors

This MD&A contains certain forward-looking statements including estimates, forecasts, and statements as to management's expectations and involve numerous assumptions, risks and uncertainties, and actual results may vary.

The Company does not assume any obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

Overview of the Company

HMZ is an Ontario based company listed on the Toronto Stock Exchange pursuant to an initial public offering April 6, 2005.

HMZ has been involved in smelting and milling operations through its interest in a cooperative joint venture corporation, Guangxi Guanghe Metals Co. Ltd. ("GGM") in the Peoples Republic of China. GGM was established in January 2000 to hold and operate a copper smelter, a base metals mill and a 9% interest in Gaofeng Mining Co. Ltd, ("GMC"), which owns and operates the Gaofeng mine and ore processing facilities; all of which are located in southern China's Guangxi province.

In August 2005, it came to the Company's attention that in July 2005 there had been an unauthorized transfer of approximately \$1.8 million (RMB 14.5 million) from GGM to its joint venture partner Hechi Industrial Co. Ltd. ("Hechi").

HMZ is currently in a long standing dispute with Hechi as to the ownership of assets, cash flow and profits derived therefrom. As a result of the above referenced dispute, HMZ has written the value of its indirectly held 92% equity interest and 95% profit interest in GGM down to nil pending a resolution of the current dispute.

The Company's discovery of the unauthorized transfer of funds occurred shortly before interim financial statements for the six months ended June 30, 2005 were to be released. The Company took the position that it would not file its interim financial statements for the six months ended June 30, 2005 before meeting with its joint venture partners and establishing the facts surrounding the unauthorized transfer of funds and exploring options for the restitution of same.

In light of the fact that the Company would be late in releasing interim financial statements for the six months ended June 2005 and funds had been transferred out of the joint venture on an unauthorized basis by the same party on whom the Company had been relying for the provision of financial information regarding the operating results of the joint venture, the Company applied for and was granted a Management Cease Trade Order ("MCTO") from the Ontario Securities Commission.

The MCTO is a mechanism which is often requested by senior management of publicly traded Companies in the event of late release of financial statements. Under an MCTO management and

insiders of a publicly traded Company are precluded from trading securities of the Company for that time period for which the MCTO is in effect.

The Board of Directors established a Special Committee to investigate, in conjunction with senior management, independent legal counsel and other advisors, the circumstances surrounding this unauthorized transfer of funds. In connection with the investigation the Special Committee retained the services of Deloitte LLP to conduct a forensic audit of GGM.

After on-site meetings and numerous discussions between the parties, the Company believed Hechi to be sincere in its indicated willingness to return the funds and as such accounted for the unauthorized transfer of \$1.8 million as an advance to its joint venture partner. Financial Statements for the six months ended June 30, 2005 were released October 19, 2005. The MCTO was revoked shortly thereafter.

In an effort to facilitate the conclusion of an amicable resolution of outstanding issues between the parties the Company retained the services of specialist consultants experienced in solving disagreements between foreign entities and their Chinese Partners. Accordingly the Company entered into discussions with its joint venture partner regarding the return of funds improperly transferred out of the joint venture and other operational issues.

During the period September through November 2005 Hechi worked cooperatively and in an apparently forthright manner with the Company towards a resolution of the unauthorized funds transfer and other operational issues. In light of the foregoing the Company released its interim financial statements for the period ended September 30, 2005.

During the course of these discussions the joint venture partner refused the Company's third party accounting firms' representatives access to joint venture books and records which refusal made it impossible for the Company to prepare audited annual financial statements for the year ended December 31, 2005.

The Company and its consultants had been of the opinion that they had been engaged in good faith discussions with its Chinese Joint Venture partner. As apparently good faith discussions were abandoned by the joint venture partner in late February 2006 the Company redirected its efforts towards forcing a solution under the Cooperative Joint Venture Contract to which parties are signatories.

As a result of the indeterminate time frame associated with resolving the dispute with the Company's Chinese joint venture partners HMZ has taken the decision to write the value of its joint venture interest down to \$ 1.00 pending a resolution of current legal initiatives.

Overall Performance

As previously noted the company changed its method of accounting for the investment in GGM from consolidating its share of the Joint Venture results to the equity method and subsequently wrote down the investment to \$ 1.00. Any recovery of the investment will be taken into income in the period in which it is received.

Selected Annual Information

	2007	2006	2005
Total Revenues	0	0	0
Income / (Loss)	(1,561,918)	(1,302,178)	(19,477,562)
Income / (Loss) per share	(0.02)	(0.02)	(0.38)
Net Income / (Loss) per share	(0.02)	(0.02)	(0.38)
Net Income / (Loss) Fully Diluted	(0.02)	(0.02)	(0.38)
Total Assets	230,594	328,245	123,270
Total (Long Term) financial liabilities	315,000	0	0
Cash dividends per share	n/a	n/a	n/a

Results of Operations

A discussion of the Company's results of operations is effectively precluded by the action of the Company's joint venture partner namely; refusal to provide operating results and refusal to grant access to joint venture accounts and records for the reporting period. As such operations have been limited to efforts to resolve the dispute with Hechi and legal initiatives related thereto.

Summary of Quarterly Results

	2007				2006			
(\$'000s)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	0	0	0	0	0	0	0	0
Operating income (loss)	(521)	(325)	(249)	(467)	(945,970)	(277,374)	(73,239)	(5,595)
Net income (loss)	(521)	(325)	(249)	(467)	(945,970)	(277,374)	(73,239)	(5,595)

Liquidity

The Company has no operating revenues and relies primarily on equity financings to fund administrative and other operating costs.

Balance Sheet Data

	2007	2006	2005
Working Capital Deficit	(1,843,046)	(1,338,743)	(1,080,631)
Total Assets	230,594	328,245	123,270
Total Debt	2,385,261	1,654,414	1,187,515
Shareholders' Equity	(2,154,667)	(1,326,169)	(1,064,245)

Contractual Obligations

	Total	1 year or less	1 - 3 years	4 - 5 years
Long Term Debt	315,000		315,000	
Capital Lease obligations				
Operating Leases*	624,000	124,800	249,600	249,600
Purchase obligations				
Other Long Term obligations				
Total Contractual obligations	624,000	124,800	249,600	249,600

* premises rent for corporate offices, half of which is expected to be offset through one or more sub-tenancies

Capital Resources

The Company has no operating revenues and relies primarily on equity financings to fund administrative and other operating costs.

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements in 2006.

Related Party Arrangements

Pursuant to a voluntary bankruptcy of Biogan International Inc., a Delaware Corporation, the amounts due from and amounts due to have been written off.

The Company paid consulting fees to the Chief Executive Officer of the Company and a company controlled by the Chief Executive Officer of the Company in the amount of \$278,977 (2006 - \$270,116) for the year ended December 31, 2007. In addition, consulting fees were paid to the Chief Financial Officer and a company owned by the Corporate Secretary in the amounts of \$216,000 (2006 - \$144,000) and \$60,600 (2006 - \$75,133) respectively..

Financial and Other Instruments

Due to the short term nature of the Company's cash, accounts receivable, trade payables and accrued liabilities they approximate their carrying values.

Critical Accounting Estimates

Management of the Corporation is required to make estimates in preparing financial statements in conformity with generally accepted accounting principles. These estimates affect the reported amounts of liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Changes to these estimates could result in material changes to these line items. The critical accounting estimates made by the Company relate to accounting for the items relating to property and investments (see discussion of the write off of the company's investments).

Translation of Foreign Currency

The reporting currency of the Company is the Canadian dollar and the functional currency of GGM is the Chinese Remimbi ("RMB"). In the event of a successful resolution of the current dispute with Hechi, the RMB will be the currency in which the Company conducts its primary economic activities.

Impairment of Long-Lived Assets

This policy requires the Company to estimate undiscounted future cash flows expected to be generated by the assets of the Company. Due to the uncertainty of the Company's interest in GGM and any future cash flows, the investment is being carried at a nominal value.

Legal Action

As of the date hereof HMZ is involved in legal actions against both its Chinese cooperative joint venture partner ("Hechi") and former Chief Executive Officer and Director of the Company; Mr. Gilles Laverdiere.

The legal action against Hechi consists of a) an action under the arbitration provisions of the cooperative joint venture contract that governs the operations of the Company's 92% owned joint venture company in China and b) an action by the Company against Hechi in The People's High Court, Guangxi, P.R.C. for the return of capital, profits and damages.

In addition to the above the Company has received a statement of claim from former Chief Executive Officer and Director Mr. Gilles Laverdiere in which Mr. Laverdiere claims amounts allegedly due from August 2005 through the date of his resignation May 16, 2006. The Company has in turn filed a statement

of defence and counterclaim to which Mr. Laverdiere subsequently filed a response regarding the forgoing. As of the date hereof the Company is preparing its response.

As these issues are currently before the Arbitration Tribunal and the Courts, the Company is necessarily constrained from discussing these issues in detail.

Fourth Quarter

Activities during the quarter were focused on the Company's legal initiatives against its joint venture Partner in China in connection with a dispute over the control of joint venture assets and cash flow related thereto. The Company reviewed a number of potential property acquisition opportunities both in China, other Asian countries and South America. The Company also raised a total of \$190,000 in equity capital and issued Promissory Notes in the principle amount of \$315,000.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of Special Shares, issuable in series with such attributes as designated by and at the discretion of, the board of directors of the Company. Each Common Share and Series I Special Share entitles the holder of record thereof to vote at all meetings of shareholders of the Company.

The table below summarizes the capital stock of the Company as at December 31, 2007

	Number Outstanding
Common Shares	105,988,400
Common Share Purchase Warrants Exercise prices range from \$0.05 - \$0.15 per share and expiry dates range from June 30, 2008 – December 2009	23,014,427
Series I Special Shares Convertible into common shares of the Company for no additional payment provided that the Company has received confirmation that certain debts incurred in connection with the acquisition of the GGM assets by the Company's Joint Venture partner have been paid in full.	30,200,000
Stock Option Plan – Options Exercise price is \$0.40 expiry date is March 27, 2010.	1,925,000

Subsequent Events

In January 2008 the Company issued 4,000,000 common shares at a deemed price of \$0.015 per common share in lieu of cash to repay shareholder debt due to a lack of working capital.

The Toronto Stock Exchange ("TSX") de-listed the common shares of HMZ Metals Inc. at the close of business on January 18, 2008 for failure to meet continued listing requirements of the TSX. Effective the same date, the Company received conditional approval to list its common shares on the CNQ Stock Exchange. The Company received final listing approval and was listed for trading on the CNQ under the symbol "HMZA" effective March 31, 2008.

In connection with the late filing of audited annual financial statements for the year ended December 31, 2007 (due March 31, 2008 under TSX reporting rules) HMZ requested a Management Cease trade Order (the "Order") which Order was granted by the Ontario Securities Commission April 9, 2008.

During April and May 2008 the Company has raised, \$236,500 through the issuance of non-interest bearing redeemable convertible debentures in April and May 2008. The Debentures are convertible into

Units on a dollar for dollar basis. Each Unit is priced at \$0.05 and consists of one common share and one-half common share purchase warrant. Each full warrant is exercisable at \$0.10 for the first twelve months from closing and at \$0.20 for the second twelve months from closing. Conversion of the Debentures will occur subsequent to and therefore not be subject to a 1:5 share consolidation which share consolidation is subject to shareholder approval at a meeting of shareholders to be held June 30, 2008 and regulatory approval. Proceeds from the Debentures will be used to fund working capital requirements.

During April 2008 the Company cancelled the 1,925,000 options outstanding to acquire common shares of the Company which had an exercise price of \$0.40 and were due to expire in March 2010.