

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 "Corporation"), is prepared as of November 14, 2005 and constitutes management's review of the factors that affected the Corporation's financial and operating performance for the interim period ended September 30, 2005. This MD&A has not been reviewed by the Corporation's auditors.

This MD&A should be read in conjunction with the Corporation's MD&A and audited consolidated financial statements for the year ended December 31, 2004 and unaudited interim periods ended March 31, 2005 and June 30, 2005 available on SEDAR under www.sedar.com. This MD&A is expressed in US dollars unless otherwise noted.

Overview of the Corporation

HMZ is a metals Corporation that produces and sells blister copper containing gold and silver. HMZ also produces and sells sulphuric acid, zinc concentrates and lead-antimony concentrates. All of the Corporation's products are sold in the People's Republic of China ("PRC").

The main factors affecting the financial results of the Corporation are metal prices, concentrate treatment charges, availability of feed for the smelter and concentrator, foreign exchange exposure and the availability of working capital to fund the purchase of raw materials.

The Corporation operates in China as a cooperative joint venture corporation, Guangxi Guanghe Metals Co. Ltd. ("GGM"). HMZ owns an indirect 92% equity interest and a 95% profit interest in GGM. Hechi Industrial Corporation Limited ("Hechi"), the Corporation's joint venture partner, is a company located in the PRC and owned by Chinese citizens. The principal assets of GGM are the Hechi copper smelter, the Wuxu ore processing facilities and a 9% interest in Gaofeng Mining Co. Ltd. ("GMC"), which owns and operates the Gaofeng mine and ore processing facilities.

Significant Events in the Third Quarter 2005

- Quarterly sales increased 21% over the third quarter of 2004.
- Operating income increased 131% over the third quarter of 2004.
- Nine-month sales increased 27% over the nine months of 2004.
- Operating income increased 72% over the nine months of 2004.
- Phase one of the Hechi smelter expansion program was completed.
- Expanded smelter operations re-started in September at 80% of forecast expanded capacity of 10,000 tonnes of blister copper per year.
- Base metals prices remained steady to higher during the third quarters and nine months of 2005 and 2004:

LME Average Prices	Third Quarter		Nine Months	
	2005	2004	2005	2004
Copper (\$ per tonne)	3,755	2,848	3,470	2,788
(\$ per pound)	1.70	1.29	1.57	1.26
Zinc (\$ per tonne)	1,297	980	1,295	1,026
(\$ per pound)	0.59	0.44	0.59	0.47
Lead (\$ per tonne)	890	931	952	862
(\$ per pound)	0.40	0.42	0.43	0.39
Gold (\$ per ounce)	439	401	432	401
Silver (\$ per ounce)	7.07	6.45	7.07	6.45

- The Corporation filed interim financial statements for the period ended June 30, 2005 on October 19, 2005.
- A positive resolution to the unauthorized transfer of funds is expected.
- The Chinese Renminbi – United States dollar exchange rate was re-valued from 8.27:1 to 8.11:1 on July 21, 2005

Outlook

In August 2005, it came to the Corporation's attention that in July 2005 there had been an unauthorized transfer of approximately \$1.8 million (RMB 14.5 million) from the Corporation's joint venture GGM to its joint venture partner Hechi. A special committee of the Board of Directors, in conjunction with senior management, independent legal counsel and other advisors, is conducting an investigation into the circumstances surrounding this unauthorized transfer of funds.

Management has made significant progress to resolving the issue with its Chinese partners. It appears that there has been a misunderstanding, much of which is due to cultural or linguistic differences. The Corporation's partners who not only own 8% of the joint venture but also 32% of the equity of the Corporation are eager to move forward to a resolution for the good of HMZ. For these reasons the Corporation has chosen not to provide for unrecoverable amounts during the third quarter of 2005 and accounted for the \$1.8 million as an advance to its joint venture partner. In the event that the Corporation is unsuccessful in its effort to recover all funds transferred without authorization, it may be necessary to record a write-off of any unrecoverable amounts in the fourth quarter ended December 31, 2005.

The copper market continued its strength in the third quarter of the year as world copper demand exceeded supply, resulting in continuing high copper prices and treatment charges. HMZ's copper smelter expansion program continued during the third quarter. A majority of the expansion was completed in the quarter, which will increase future production enabling the Corporation to capitalize on the strong copper price. The Hechi smelter, now the largest in China's Guangxi province, is currently operating at 80% of its forecast expanded capacity of 10,000 tonnes of blister copper per year. Full capacity is expected to be achieved in the first quarter of 2006 with the installation of an oxygen plant. Funds for this expansion (approximately \$3.7 million) were provided from the \$7.3 million contributed to GGM from the initial public offering ("IPO") in April 2005.

The balance of the funds raised during the IPO is intended for the acquisition of an additional 20% interest in the Gaofeng mine and to provide the copper smelter with sufficient working capital to fund its raw material requirements. Organizational restructuring of the government agency that owns the aforementioned 20% interest in the Gaofeng mine is delaying completion of this transaction. It is not certain at this time when this transaction will be completed.

Information is being gathered to evaluate two projects including a former gold producer and a large base metal tailings project of significant indicated value. In addition, now that the Corporation has made the final capital contribution required under the GGM joint venture, the Corporation is being presented with other opportunities for future growth. These opportunities are being carefully evaluated and prioritized.

Operating Review

Three months ended September 30, 2005 compared with the three months ended September 30, 2004

For the three months ended September 30, 2005, the Corporation recorded a consolidated net loss of \$0.4 million on net sales of \$3.8 million, compared with a consolidated net loss of \$0.4 million on net sales of \$3.1 million for the corresponding period of 2004. Net sales revenue was higher by \$0.7 million during the third quarter of 2005 compared with the third quarter of 2004. Net sales revenue was lower than the two previous quarters as the smelter was closed for 45 days in August and September to complete a portion of the program to expand production capacity to 10,000 tonnes of blister copper annually. Production restarted on September 21 2005 at 80% of the projected increased capacity. The average price of copper during the third quarter of 2005 was \$1.70 per pound compared to \$1.29 for the same period of 2004. Cost of sales for the three months ended September 30, 2005 was \$3.4 million compared with \$2.9 million in the same period of 2004. This increase in cost of sales is due to higher prices paid for concentrates reflecting the year-over-year increase in copper price and a 36% increase in quantity..

Operating income during the third quarter of 2005 was \$0.3 million, an increase of \$0.2 million from the same period of 2004. The loss before taxes and non-controlling interest increased by \$0.1 million mostly due to the higher administration costs associated with being a public Corporation during the third quarter of 2005. Corporate administration costs were \$0.4 million in the third quarter of 2005, down \$0.3 million from the average of the first two quarters of 2005. It is expected that these costs will stabilize at approximately this level in the future. In prior years the Corporation was private and therefore not required to incur the costs associated with regulatory disclosure and shareholder issues. The Corporation is taxable in China and recorded a tax expense of \$0.1 million for the third quarter, compared with \$0.2 million for the same period in 2004.

Net cash used by operating activities was \$2.2 million for the three months ended September 30, 2005, compared with cash generated of \$28,000 for the same period of 2004. Non-cash working capital increased by \$2.0 million

reflecting the higher cost of raw materials due to the higher copper price along with the need for increased volumes to feed the expanded smelter. Of this amount, prepayments to suppliers of raw material increased by \$1.1 million and inventories increased by \$1.5 million offset by a \$2.2 million increase in accounts payable due mostly to the accrual for smelter expansion costs. In addition, advances to the Corporation's joint venture partner increased by \$1.8 million.

Nine months ended September 30, 2005 compared with the nine months ended September 30, 2004

For the nine months ended September 30, 2005, the Corporation recorded a consolidated net loss of \$2.0 million on net sales of \$14.0 million, compared with consolidated net income of \$0.5 million on net sales of \$11.0 million for the same period in 2004. Net sales were higher than the same period of 2004 by \$3.0 million, or 27%, due to a combination of higher metal prices and a 37% increase in blister copper sales.

Cost of sales for the period ended September 30, 2005 was \$11.1 million, compared with \$9.2 million in the same period of 2004, higher by \$1.9 million or 21% due to higher raw material costs and sales volume. During the first quarter, the Corporation recorded a non-cash stock-based compensation expense of \$1.5 million and corporate costs also increased by \$1.5 million during the nine months of 2005. In prior years the Corporation was private and therefore did not incur the costs associated with regulatory disclosure and shareholder issues. As a result, corporate administration costs for the first nine months of 2005 were significantly higher than the same period of 2004.

Income taxes increased to \$0.7 million in the first nine months of 2005, compared with \$0.2 million for the same period of 2004, as losses incurred in prior years have been used up for tax purposes and income generated in the PRC was higher by \$1.0 million during the nine months of 2005.

The net cash used by operating activities was \$5.3 million for the nine months ended September 30, 2005 compared with cash used by operating activities of \$0.6 million for the same period of 2004. The increase in net cash used was due to a \$5.0 million increase in inventories, repayment of debt pursuant to the IPO agreement and the advance of \$1.8 million to the Corporation's joint venture partner.

Capital and lease expenditures for the nine months of 2005 amounted to \$2.9 million compared with \$17,000 for first nine months of 2004. In April 2005 the Corporation made a capital contribution of \$7.3 million to GGM, the joint venture of which the Chinese partner owns an 8% interest. As a result, the partner's share of the contribution is \$0.6 million and is included in fixed assets and will be depreciated on the same basis as operating assets. Capital expenditures in the amount of \$4.0 million are budgeted to fund the expansion of the copper smelter to increase throughput to 10,000 tonnes of copper per year of which \$3.7 million is to be funded from the capital contribution. To the end of September 2005 \$2.0 million had been spent on the project.

Summary of Quarterly Results

	2005			2004			2003	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(\$'000s)								
Net sales	3,782	6,905	3,272	4,778	3,138	4,404	3,469	9,701
Operating income (loss)	259	1,510	589	(758)	112	540	718	304
Net income (loss)	(360)	(29)	(1,648)	(1,261)	431	377	577	155

Hechi Copper Smelter

The Hechi copper smelter produces blister copper and consists of a blast furnace and a continuous horizontal converter. It is located in the city of Hechi in the province of Guangxi and acquires its feed from local base metal mines. The Hechi copper smelter complex also produces sulphuric acid which is sold locally.

Phase one of the Hechi smelter expansion program was completed during the third quarter. Operations re-started at an increased throughput in the last week of September, following 45 days during which operations were suspended to facilitate the expansion. This first phase included an increase in size of the blast furnace to 5.3 m² and the addition of a second 6.7 m² continuous converter. The second phase of the expansion program should be completed by the end of the first quarter 2006 and will consist of the installation of an oxygen plant and modernization of the smelter's sulphuric acid plant which will enhance sulphuric acid recoveries and reduce hazardous emissions surpassing the environmental standards of the PRC.

For the third quarter of 2005, income before taxes was \$0.3 million on net sales of \$3.6 million, compared with a loss before taxes of \$30,800 on net sales of \$2.9 million the same period of 2004.

Results for the smelter during the first nine months and third quarters of 2005 and 2004 are shown in table below.

(000s)	Third Quarter		Nine Months	
	2005	2004	2005	2004
Cu Concentrate (t)	1,397	768	3,761	2,889
Cu Concentrate Grade (%)	19.6	22.52	19.73	19.7
Blister Copper Production (t)	830	578	2,841	2,605
Blister Copper Sales (t)	848	794	3,163	2,311
Sulphuric Acid Production (t)	2,793	2,271	10,054	9,945
Sulphuric Acid Sales (t)	2,587	5,763	8,918	11,452
Gold (kg)	21.3	8.64	32.8	8.64
Silver (kg)	4,372	4,007	11,881	4,007
Net Sales	\$ 3,642	\$ 2,907	\$ 13,414	\$ 9,906
Income (loss) before taxes and non-controlling interest	\$ 276	\$ (31)	\$ 2,356	\$ 1,333

(Gold and silver are produced as by-products of blister copper production.)

The smelter operated for 47 days in the third quarter of 2005 compared to 70 days during the second quarter of 2005 due to the smelter expansion program that was underway during the third quarter of 2005. During the third quarter of 2004 the smelter operated for 50 days.

Wuxu Mill

The Wuxu Mill is a custom milling operation which treats zinc-lead ore from area mines. During the three months ended September 30, 2005 the

Wuxu mill incurred a loss before taxes of \$56,000 on net sales of \$140,000, compared with a loss of \$2,000 on net sales of \$231,000 for the same period of 2004.

The third quarter 2005 results for the Wuxu milling operation are shown in the table below:

(\$'000s)	Third Quarter		Nine Months	
	2005	2004	2005	2004
Ore Milled (t)	-	2,200	5,726	9,803
Zn Grade (%)	-	15-18	11-15	8-18
Pb/Sb Grade (%)	-	3-5	3-5	3-5
Zn Concentrate (t)	-	168	304	1,079
Pb/Sb Concentrate (t)	-	123	235	465
Zn Conc. Grade (%)	-	53	55	54
Pb/Sb Conc. Grade (%)	-	48	44	47
Net Sales	140	231	545	1,015
Income before taxes and non-controlling interest	(98)	(163)	(56)	(2)

From time to time the Wuxu mill has experienced power interruptions and difficulty in sourcing adequate local ore and has operated below capacity. During the third quarter of 2005 the Wuxu mill operation was not able to secure ore and as such had no production. Sales were made from inventory on hand at the end of the second quarter.

This combined with increased cost of supplies has prevented the Wuxu mill from attaining profitability. Management intends to analyse the output of each mine in the area in order to determine an appropriate stable feed of ore to the mill and determine whether an expansion is warranted to bring costs down. Other alternatives are also being reviewed.

Capital Resources and Liquidity

Working capital at the end of September 2005 was \$5.8 million, compared with a working capital deficiency of \$3.4 million at the end of December 2004.

On April 6, 2005, the Corporation completed its initial public offering and issued 38,843,750 Units at CDN\$0.40 per Unit for gross proceeds of CDN\$15.5 million. Each Unit consists of one common share and one warrant to purchase a common share at CDN\$0.50 per share for two years after the closing of the offering. The exercise of the warrants

can be accelerated by the Corporation if the shares trade at a 20-day weighted average price of CDN\$0.80 per share or more.

Of the amount raised, the Corporation made its final capital contribution to the GGM joint venture in the amount of \$7.3 million. The major portion of this contribution is being used for the Hechi copper smelter expansion. A portion of the proceeds of the offering was used to fund the \$1.7 million paid to Biogan's creditors as part of the restructuring requirement.

Based on the Corporation's current operating plan and current metal prices, operations of the Corporation are expected to generate positive cash flow. Capital improvements to the Hechi copper smelter will increase its production capacity by approximately 100% when completed in 2006. This is expected to increase cash flow from the smelter by approximately \$1.0 million per quarter. The acquisition of an additional 20% interest in GMC should generate dividends to the joint venture of \$2.0 million per year based on the projections for the Gaofeng mine.

The Corporation's administration costs, which are expected to be approximately \$200,000 per month, will partially offset these anticipated cash improvements.

Although there are no assurances that these projections will be achieved, management believes that sufficient cash will be available to finance the Corporation's operating requirements in China for the foreseeable future, to implement its business plan and to provide the funding necessary to complete the reviews and the due diligence on two projects contemplated by existing letters of intent.

Off Balance Sheet Arrangements

The Corporation periodically engages in the purchase and sale of certain copper futures contracts on the Shanghai Metals Exchange. These are not acquired to hedge specific forecast sales of copper from the Hechi copper smelter, and, accordingly are not treated as hedges. There were no contracts outstanding at the end of September 2005.

Related Party Arrangements

The Corporation has related party debt balances with Hechi and Biogan. The debts are a result of advances made to HMZ to fund working capital requirements. During the third quarter of 2005, all but \$0.2 million was repaid. A schedule of related party transactions and balances can be found in note 8 to the audited consolidated financial statements of the Corporation for the year ended December 31, 2005.

Financial and Other Instruments

As at September 30, 2005, the Corporation had \$2.8 million (RMB 23 million) in short-term debt, denominated in RMB. A RMB 3.0 million loan from the Finance Development Company of Hechi Finance Bureau was due November 2000 and remains unpaid. The Corporation has taken the position that no interest was specified in the loan and therefore no interest is payable. The Corporation is negotiating settlement of the debt and has not accrued any amount for interest charges. It is possible that a negotiated settlement may include interest charges booked in a later reporting period.

The Corporation has a potential foreign exchange exposure for the RMB loans in the event that the RMB is re-valued higher. Pressure to revalue the RMB (which was pegged to the United States dollar at a rate of RMB 8.2727 to \$1.00 resulted in such a re-valuation to RMB 8.11 to US\$1.00 on July 21, 2005. This re-valuation has resulted in an unrealized foreign exchange loss of approximately \$63,000 based on current debt levels.

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 Corporation relate to accounting for the items relating to property, plant, equipment, inventory and joint venture investments which are set out below.

Translation of Foreign Currency

The reporting currency of the Corporation is the United States dollar. The functional currency of GGM is the RMB since it is the currency in which the Corporation conducts its primary economic activities. Foreign currency transactions during the year are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC rates") prevailing on the applicable transaction dates. Foreign currency monetary assets and liabilities are translated into RMB at the applicable PBOC rates as at the date of the balance sheet.

The PBOC rates have been fixed within a narrow band for several years. If the Corporation chooses to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and may not be successful. In addition, currency exchange losses may be magnified by PRC exchange control regulations that restrict the ability of the Corporation to convert RMB to United States dollars. There is no assurance that the value of the monetary assets and liabilities of the Corporation as stated in United States dollars may be realizable at the rates used, or at all. Accordingly, the assumptions upon which the statements are based are subject to circumstances beyond the control of the Corporation.

Impairment of Long-Lived Assets

This policy requires the Corporation to estimate undiscounted future cash flows expected to be generated by the assets of the Corporation. Because of fluctuating commodity prices, it is difficult to predict with certainty either the revenue expected to be generated or the costs of concentrate to be refined. In addition to this price uncertainty, the Corporation is also exposed to potential currency fluctuations against the reference price of these commodities (the United States dollar) against the RMB. The combination of price uncertainty and exchange rate uncertainty makes the estimate of future cash flows uncertain. If the RMB appreciates significantly, the operating profit of the Corporation in terms of the United States dollar may decline to the point where the Corporation would not be able to recover the carrying value of its assets which are carried in historical United States dollars.

Inventory

Copper ingots and concentrate inventories are valued at the lower of cost and realizable value. Costs represent the average cost.

Outstanding Share Data

The Corporation 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 Corporation. Each Common Share and Series I Special Share entitles the holder of record thereof to vote at all meetings of shareholders of the Corporation.

The table below summarizes the capital stock of the Corporation as at November 14, 2005:

	Number Outstanding
Common Shares	69,197,081
Common Share Purchase Warrants - Listed Exercise price is \$0.50 per share and the expiry date is April 5, 2007. Should the Corporation's common shares trade at or above \$0.80 per share on a volume weighted basis for a period of twenty trading days the Corporation can give notice to the holders and accelerate the expiry date provided that the accelerated expiry date is not less than 30 days from the notice date.	38,843,750
Common Share Purchase Warrants - Not Listed 6,198,638 common share purchase warrants are exercisable at \$0.50 per share and 4,198,750 common share purchase warrants are exercisable at \$0.40 per share, the expiry date for the above range from April 5 th to April 30 th , 2007.	10,397,388
Series I Special Shares Convertible into common shares of the Corporation for no additional payment provided that the Corporation has received confirmation that certain debts incurred in connection with the acquisition of the GGM assets by the Corporation'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.	6,900,000

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This MD&A contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include estimates, forecasts, and statements as to management's expectations with respect to, among other things, future production, capital and production costs, demand and market outlook for commodities and the resulting metal prices, opportunities, the size and quality of the Corporation's mineral reserves and mineral resources and the financial results of the Corporation. These forward-looking statements involve numerous assumptions, risks and uncertainties, and actual results may vary.

Factors that may cause actual results to vary include, but are not limited to, changes in commodity, raw material and material and equipment prices; changes in interest and currency exchange rates; inaccurate geological and metallurgical assumptions (including changes with respect to the size, grade and recoverability of mineral reserves and resources); unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation; unavailability of materials and equipment; delays in the receipt of government approvals; industrial disturbances or other job action; and unanticipated events related to health, safety and environmental matters); political risk; social unrest; and, changes in general economic conditions or conditions in the financial markets.

The Corporation does not assume the 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.