



HMZ Metals Files Second Quarter Financial Statements

TORONTO, CANADA/HECHI, CHINA, October 19, 2005 – HMZ Metals Inc. (“HMZ” or the “Company”) announced that, following a thorough review of its financial statements and consultation with independent advisors, it has filed its unaudited financial statements for the second quarter of 2005 prepared in accordance with Canadian GAAP.

“The operations performed very well during the second quarter, with copper production at the Hechi smelter increasing by approximately 65% over the second quarter of 2004,” said CEO Gilles Laverdiere. “Metal prices remain strong, and the smelter is now operating at approximately 80% of its forecast expanded capacity. With the filing of our financial statements and the ongoing expansion to increase smelter capacity to 10,000 tonnes per year, HMZ has a solid foundation from which to move forward and continue to increase our presence in China.”

Highlights of the second quarter include:

- Completion of the CDN\$15.5 million IPO.
- Listing of the Company’s shares on the Toronto Stock Exchange.
- Commencement of the expansion program to double throughput at the Hechi copper smelter.
- A 56% increase in quarterly net sales over Q2 2004, to US\$6.9 million.
- A 180% increase in operating income over Q2 2004, to US\$1.5 million.

Financial Highlights

(Millions of US\$, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net sales	\$6.9	\$4.4	\$10.2	\$7.9
Operating income	\$1.5	\$0.5	\$2.1	\$1.3
Earnings (loss) per common share [basic]	\$nil	\$377,100 ¹	(\$0.05)	\$954,000 ¹

¹ based on one common share outstanding in privately-held company during 2004.

Financial Statement Delay

In August, 2005, it came to the Company’s attention that an unauthorized transfer of funds in July, 2005 of approximately US\$1.8 million (RMB14.5 million) from the Company’s joint venture, Guangxi Guanghe Metals Co. Ltd. (“GGM”) to its joint venture partner Hechi Industrial Co. Ltd. (“HI”). The 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 with the objective of:

- determining whether there have been any other unauthorized transfers of assets from GGM to HI;
- confirming that there are appropriate controls in place to ensure that no further such transfers will occur; and,
- determining what remedies are available to effect the immediate return of the transferred funds, or alternatively to put in place terms of repayment or other financial arrangements for reimbursement that are satisfactory to the Company.

Financial Performance

The three months ended June 30, 2005 represent the second quarter of fiscal 2005, and the first quarter following completion of an initial public offering under which the Company raised gross proceeds of CDN\$15.5 million. HMZ commenced trading on the Toronto Stock Exchange on April 6, 2005.

Operating income in the second quarter increased by approximately \$1.0 million over the corresponding period in the prior year to \$1.5 million on net sales of \$6.9 million. The 57% increase in net sales was primarily due to a higher realized copper price and a 50% quarter-over-quarter increase in blister copper sales.

The Company recorded a net loss of \$29,400 (basic earnings per share of \$nil based on 64,634,635 shares outstanding), compared with net income of \$377,100 (basic earnings per share of \$377,100 based on one share outstanding) in the second quarter of 2004. The decrease is primarily the result of higher corporate administration costs year-over-year due to

the additional costs associated with operating as a public company. In addition, the Company recorded a tax expense of \$0.5 million in the second quarter, compared with \$nil in the corresponding period of the previous year.

For the six months ended June 30, 2005, operating income rose by 67% over the first six months of 2004 to \$2.1 million on net sales of \$10.2 million, due primarily to higher metal prices and higher sales volumes. In the first six months of 2004, net sales were \$7.9 million and operating income was \$1.3 million.

Net loss in the first six months was \$1.7 million (basic loss per share of \$0.05 based on 32,495,867 shares outstanding), compared with earnings of \$954,000 (basic earnings per share of \$0.954 based on one share outstanding) in the first half of 2004. During the first quarter of 2005, the Company incurred a one-time non-cash stock-based compensation expense of \$1.5 million and corporate administration costs increased by \$1.2 million, again due to additional costs incurred upon becoming a publicly traded company.

Hechi Copper Smelter

Strategically located in southeastern China's Guangxi province, the Hechi smelter produces blister copper. During the second quarter, the Hechi copper smelter processed approximately 6,000 tonnes of copper concentrate grading 19.8% copper, and produced 1,171 tonnes of copper, 11.5 kg of gold, 7,509 kg of silver and 3,925 tonnes of acid. For the quarter, income before taxes and non-controlling interest was \$1.5 million, compared with \$0.6 million in the second quarter of 2004.

HMZ announced in April that it had begun a program to double the capacity of its Hechi smelter to 10,000 tonnes of blister copper annually. Expansion activities proceeded during the quarter without any related interruption of production. The smelter went offline in early August to complete the expansion of the blast furnace to increase throughput and to add a second continuous converter in order to increase effective operating time. As announced in early October, production has restarted, making the Hechi smelter the largest in China's Guangxi province.

Outlook

The Hechi copper smelter continued to operate well in an environment of strong metal prices. Indications are for continued positive metals pricing momentum, including for copper and zinc, which would benefit HMZ given expanded production capacity at the Hechi copper smelter and potentially increased production at the Gaofeng Mine. In addition, information is being gathered to evaluate two projects, a former gold producer and a large base metal tailings project of significant indicated value.

About HMZ Metals

HMZ Metals Inc. is an integrated Toronto-based mining and smelting company focused on base metals and gold in China. The Company's core assets are the Hechi copper smelter; a 9% interest in the high-grade Gaofeng zinc, tin, lead, antimony mine; the Wuxu lead, zinc and antimony mill; and letters of intent on base metal and gold projects in the Guangxi Zhuang Autonomous Province of the People's Republic of China. HMZ shares trade on the Toronto Stock Exchange under the symbol HMZ.

For further information, please visit our website at www.hmzmetals.com, or contact:

Sean Stokes (416) 214-3270 ext 232

This press release includes certain "Forward-Looking Statements." All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and reserves, exploration results and future plans and objectives of HMZ, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from HMZ's expectations are disclosed under the heading "Risk Factors" and elsewhere in HMZ documents filed from time-to-time with the Toronto Stock Exchange and other regulatory authorities.

HMZ METALS INC.

Consolidated Financial Statements (Expressed in U.S. dollars)

For the Three Months and Six Months Ended June 30, 2005 and 2004

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Gilles Laverdiere"

Vice Chairman and Chief Executive Officer

HMZ METALS INC.

Consolidated Balance Sheets

As at June 30, 2005 and December 31, 2004
(Expressed in U.S. dollars)

Assets:	June 30, 2005 (unaudited)	December 31, 2004
Current assets		
Cash	\$7,816,400	\$112,400
Trade accounts receivable, net	921,800	118,000
Prepayments to suppliers, net	694,400	2,093,800
Due from Hechi Industrial Company Ltd., net (note 3)	786,200	732,900
Due from Biogan International Inc. (note 3)	-	61,500
Inventories (note 2)	5,342,400	2,105,800
Other current assets	829,100	791,600
	<hr/>	<hr/>
	16,390,300	6,016,000
Deferred share and warrant issue costs (note 5(c))	-	479,500
Investment in Gaofeng Mining Co. Ltd.	828,700	828,700
Property, plant and equipment, net	5,142,400	4,611,300
Lease prepayments	69,500	70,300
Future tax asset	317,800	301,400
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	\$22,748,700	\$12,307,200
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Liabilities and Shareholders' Equity		
Current liabilities:		
Loans payable (note 4)	\$2,779,000	\$2,737,000
Payable to Biogan International Inc. (note 3b)	415,400	1,918,000
Due to Gaofeng Mining Co., Ltd. (note 3c)	674,200	625,900
Trade accounts payable	1,797,300	1,463,100
Accrued liabilities and other payables	1,756,700	1,986,100
Income taxes payable	1,025,600	728,800
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	8,448,200	9,458,900
Non-controlling interest	910,800	260,900
Shareholders' equity:		
Capital stock (note 5 (a))	15,147,100	5,866,700
Warrants (note 5 (d))	1,966,900	257,200
Contributed surplus (note 5(f))	1,502,700	-
Deficit	(5,214,100)	(3,536,500)
Cumulative translation adjustment	(13,000)	-
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	13,389,600	2,587,400
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	\$22,748,600	\$12,307,200
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See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Brian M" Cloney
Director

"Gilles Laverdiere"
Director

HMZ METALS INC.

Consolidated Statements of Operations and Deficit

For the Three months and Six months ended June 30, 2005 and 2004

(Expressed in U.S. dollars)

(Unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Net sales	\$6,905,100	\$4,404,500	\$10,177,400	\$7,873,100
Expenses:				
Cost of Sales	(5,237,900)	(3,711,500)	(7,754,600)	(6,310,000)
Selling, general and administrative	(156,700)	(153,000)	(323,700)	(304,600)
Operating Income before the undernoted	1,510,500	540,000	2,099,100	1,258,500
Other expense (income):				
Corporate administration	894,600	66,600	1,368,700	150,800
Interest income	(30,900)	(11,100)	(30,900)	(22,100)
Other loss	400	33,800	1,100	29,200
Interest expense	146,300	50,600	199,100	88,400
Stock-based compensation (note 5(f))	-	-	1,502,700	-
	1,010,400	139,900	3,040,700	246,300
Income (loss) before income taxes and non-controlling interest	500,100	400,400	(941,600)	1,012,200
Income taxes (recovery):				
Current	489,800	-	686,500	-
Future	(8,600)	-	(16,400)	-
	481,200	-	670,100	-
Income (loss) before non-controlling interest	18,900	400,400	(1,611,700)	1,012,200
Non-controlling interest	(48,300)	(23,300)	(65,900)	(58,100)
Net income (loss)	(29,400)	377,100	(1,677,600)	954,000
Deficit, beginning of period	(5,184,700)	(2,262,100)	(3,536,500)	(2,798,200)
Deficit, end of period	(\$5,214,100)	(\$1,885,000)	(\$5,214,100)	(\$1,693,300)
Basic and diluted earnings (loss) per common share, basic (note 6)	(\$ 0.00)	\$ 377,100	(\$ 0.05)	\$ 954,000
Weighted average number of common shares outstanding, basic (note 6)	64,634,635	1	32,495,867	1

See accompanying notes to consolidated financial statements.

HMZ METALS INC.

Consolidated Statements of Cash Flows

For the Three months and Six months ended June 30, 2005 and 2004

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ (29,400)	\$ 377,500	\$ (1,677,600)	\$ 954,000
Items not involving cash:				
Depreciation of property, plant and equipment	84,600	76,100	164,200	145,000
Amortization of lease prepayments	900	900	1,800	1,800
Non-controlling interest	632,300	23,400	649,900	58,200
Fair value of warrants issued on promissory notes	49,900	-	49,900	-
Stock-based compensation	-	-	1,502,700	-
Future income taxes	(8,600)	-	(16,400)	-
Change in non-cash operating working capital (note 8)	(4,534,000)	(187,600)	(3,771,300)	(1,762,500)
	(3,802,500)	290,300	(3,096,800)	(603,500)
Investing activities:				
Capital expenditures	(677,200)	(1,000)	(695,300)	(12,700)
Lease expenditure	-	(1,000)	(1,000)	(1,000)
Advance distribution received from Gaofeng Mining Co. Ltd.	-	-	48,300	-
	(677,200)	(2,000)	(648,000)	(13,700)
Financing activities:				
Common share issue	12,679,100	-	12,679,100	-
Loans payable	(134,500)	181,300	42,000	1,147,800
Share and warrant issue costs	(1,057,500)	(64,500)	(1,281,600)	(87,300)
Loans payable to a related party	-	17,000	-	94,700
	11,487,000	133,800	11,439,500	1,155,200
Effect of exchange rate changes on cash	(3,000)	-	9,100	(100)
Increase in cash	7,004,300	422,100	7,703,800	537,900
Cash, beginning of period	812,100	361,000	112,400	245,200
Cash, end of period	\$ 7,816,400	\$ 783,100	\$ 7,816,200	\$ 783,100
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 141,800	\$ 46,600	\$ 166,400	\$ 84,400
Cash paid for income taxes	\$ 173,811	\$ -	\$ 389,700	\$ -

See accompanying notes to consolidated financial statements.

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 October 14, 2005 and constitutes management's review of the factors that affected the Corporation's financial and operating performance for the interim period ended June 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 period ended March 31, 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, as well as 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 chinese cooperative joint venture Corporation, Guangxi Guanghe Metals Co. Ltd. ("GGM"). HMZ owns an indirect 92 percent equity interest and a 95 percent 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 nine percent interest in Gaofeng Mining Co. Ltd. ("GMC"), which owns and operates the Gaofeng mine and ore processing facilities.

Highlights of the Second Quarter 2005

Positive:

- The Corporation recorded operating income of \$1.5 million for the three months ended June 30, 2005 compared with \$0.5 million in the year earlier period
- Base metals prices remained steady to higher during the period due largely to continued historically low inventory levels at the various metals exchanges and strong global demand. The following is a summary of average London Metals Exchange metal prices for the first six months and second quarters of 2005 and 2004

	First Six Months		Second Quarter	
	2005	2004	2005	2004
Copper (\$ per tonne)	3,327	2,759	3,387	2,788
(\$ per pound)	1.51	1.25	1.54	1.26
Zinc (\$ per tonne)	1,294	1,049	1,273	1,028
(\$ per pound)	0.59	0.48	0.58	0.47
Lead (\$ per tonne)	982	827	986	811
(\$ per pound)	0.45	0.38	0.45	0.37
Gold (\$ per ounce)	428	401	427	393
Silver (\$ per ounce)	7.07	6.45	7.15	6.25

- Completed the initial public offering ("IPO") of the Corporation and listed its Common Shares on the Toronto Stock Exchange under the symbol HMZ.
- Completed a CDN\$15.5 million financing coincident with the IPO.
- Made the final capital contribution of \$7.3 million to GGM.

- Commenced phase one of the Hechi Copper Smelter expansion program with the goal of doubling annual smelter capacity to 10,000 tonnes of blister copper.
- Completed the expansion of the blast furnace and the construction of a second continuous converter allowing the smelter to re-start operations in September at 80% of its forecast capacity.

Negative:

- Higher raw material costs have increased working capital requirements.
- Power interruptions and lack of feed reduced throughput at the Wuxu Mill
- Subsequent to the end of the reporting period the Chinese Renminbi – United States dollar exchange rate was re-valued from 8.27:1 to 8.11:1
- Subsequent to the end of the reporting period an unauthorized transfer of funds was discovered.

Outlook

In August 2005, it came to the Corporation's attention that in July, 2005 there had been an unauthorized transfer of cash 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 with the objective of:

- (i) determining whether there have any other unauthorized transfers of assets from GGM to Hechi;
- (ii) confirming that there are appropriate controls in place to ensure that no further such transfers will occur and,
- (iii) determining what remedies are available to effect the return of the transferred funds or alternatively to put in place terms of repayment or other financial arrangements for reimbursement which are satisfactory to the Corporation.

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 third quarter ended September 30, 2005.

This issue is consuming a significant portion of senior management time and must be resolved as quickly and efficiently as possible. It is not expected that this will affect ongoing operating results of the Corporation.

The copper market continued its strength in the first half of the year as world mine production was lower than expected resulting in continuing high copper prices as well as treatment charges. This continues to be positive for HMZ as its copper smelter expansion program continued during the second quarter with a majority of this work completed in the third quarter. Production at the Corporation's Hechi copper smelter restarted in the third quarter. 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. The funds for this expansion (approximately \$3.7million) were provided from the \$7.3 million contributed to GGM from the initial public offering in April 2005.

The balance of the funds are intended for the acquisition of an additional 20% of the Gaofeng mine and to provide the necessary working capital which should reduce the risk of being short of smelter feed in the future. Organizational restructuring of the government agency that owns this 20% interest of Gaofeng is delaying completion of this transaction.

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 in a disciplined manner.

Operating Review

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

For the three months ended June 30, 2005, the Corporation recorded a consolidated net loss of \$29,400 on net sales of \$6.9 million compared with consolidated net income of \$0.4 million on net sales of \$4.4 million for the same period in 2004. This sales increase is due to a 21% increase in the price of copper combined with a 51% increase in sales of blister copper. Cost of sales for the three months ended June 30, 2005 was \$5.2 million compared with \$3.7 million in the same period of 2004. This 41% increase in cost of sales is due to the additional sales of blister copper.

Operating income during the second quarter of \$1.5 million increased by \$1.0 million. However, net income before taxes and non-controlling interest increased by only \$200,000 mostly due to the higher administration costs associated with being a public Corporation during the second quarter of 2005. Corporate administration costs were \$0.8 million higher than in the same period of 2004. It is expected that these costs will stabilize over the next six months to approximately \$0.6 million per quarter. In prior years the Corporation was private and not required to incur the costs associated with regulatory disclosure and shareholder issues. In addition, the Corporation is taxable during 2005 in China and recorded a tax expense of \$0.5 million for the second quarter compared with nil for the same period in 2004.

Net cash used by operating activities was \$3.8 million for the three months ended June 30, 2005 compared with cash generated of \$290,000 for the same period of 2004. During the second quarter of 2005 the Corporation paid creditors of Biogan \$1.5 million as part of the requirements under the IPO. Promissory notes of \$376,200 were also repaid from the proceeds of the financing completed on April 6, 2005. Decreases to accounts payable and accrued liabilities used \$1.9 million of working capital during the three months ended June 30, 2005.

Six months ended June 30, 2005 compared with the six months ended June 30, 2004

For the six months ended June 30, 2005, the Corporation recorded a consolidated net loss of \$1.7 million on net sales of \$10.2 compared with consolidated net income of \$1.0 million on net sales of \$7.9 million for the same period in 2004. Net sales were higher than the same period of 2004 by \$2.3 million or 29% due again to a combination of higher metal prices and sales volume.

Cost of sales for the period ended June 30, 2005 was \$7.8 compared with \$6.3 million in the same period of 2004, higher by \$1.4 million or 23%. During the first quarter, the Corporation recorded a non-cash stock-based compensation expense of \$1.5 million and corporate costs increased by \$1.2 million during the six 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 six months of 2005 were significantly higher than the same period of 2004.

Income taxes increased to \$0.7 million in the first six months of 2005 compared with nil for the same period of 2004 as losses incurred in prior years have been used up for tax purposes.

The net cash used by operating activities was \$3.1 million for the six months ended June 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 mostly due to a \$2.7 million increase in inventories. The other current assets increase was basically offset by a similar increase in current liabilities.

Capital and lease expenditures for the six months of 2005 amounted to \$649,900 compared with \$13,700 for first six 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 \$3.7 million are budgeted to fund the expansion of the copper smelter to increase throughput to 10,000 tonnes of copper per year. To the end of June, 2005 \$55,200 had been spent on the project.

Summary of Quarterly Results

	2005		2004			2003		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(\$000's)								
Net sales	6,905	3,272	4,778	3,138	4,404	3,469	9,701	6,756
Operating income (loss)	1,510	589	(758)	112	540	718	304	462
Net income (loss)	(29)	(1,648)	(431)	338	377	577	155	366

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.

As of the date of this writing phase one of the Hechi smelter expansion program is complete and operations began at an increased throughput the last week of September, 2005. The first phase included an increase in size of the blast furnace to 6.7 m² and the addition of a second 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 smelters' sulphuric acid plant which will enhance sulphuric acid recoveries and reduce hazardous emissions surpassing the environmental standards of the PRC.

For the second quarter of 2005, income before taxes was \$1.6 million on net sales of \$6.7 million compared with income before taxes of \$0.6 million on net sales of \$3.9 million the same period of 2004.

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

	First Six months		Second Quarter	
	2005	2004	2005	2004
Cu Concentrate (t)	10,414	11,405	6,051	4,435
Cu Concentrate Grade (%)	19.8	17.8	19.8	15.8
Blister Copper Production (t)	2,011	2,027	1,171	710
Blister Copper Sales (t)	2,315	1,517	1,337	887
Sulphuric Acid Production (t)	7,261	7,674	3,925	2,590
Sulphuric Acid Sales (t)	6,331	5,484	4,111	2,112
Gold (kg)	11.5	32.1	11.5	10.5
Silver (kg)	7,509	10,310	7,509	5,058
Net Sales	\$9,772,100	\$7,088,400	\$6,704,400	\$3,908,200
Income before taxes and non-controlling interest	\$2,080,200	\$1,363,600	\$1,494,000	\$612,200

The smelter operated for 70 days in current reporting period in comparison to 61 days in the year earlier period

Gold and silver are produced as by-products of blister copper production. In the table above there is no difference in the amounts produced during the six month period ended June 30, 2005 and the amounts shown for the three months ended June 30, 2005 as no recovery information to calculate the production was available for the first quarter 2005.

Wuxu Mill

The Wuxu Mill is a custom milling operation which treats zinc-lead ore from area mines. During the three months ended June 30, 2005 the Wuxu mill incurred a loss before taxes of \$11,100 on net sales of \$200,700 compared to a loss of \$123,200 on net sales of \$498,400 for the same period of 2004.

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

	First Six Months		Second Quarter	
	2005	2004	2005	2004
Ore Milled (t)	5,726	7,603	2,226	4,700
Zn Grade (%)	5	12	4	10
Pb/Sb Grade (%)	4	5	4	5
Zn Concentrate (t)	304.2	911	91.2	466
Pb/Sb Concentrate (t)	235	313	92.8	227
Zn Conc. Grade (%)	55	53.5	54.1	54
Pb/Sb Conc. Grade (%)	44.2	46	48.8	49
Net Sales	\$405,300	\$784,700	\$200,700	\$498,400
Income before taxes and non-controlling interest	(\$42,500)	(\$161,000)	(\$11,100)	(\$123,200)

From time to time the Wuxu mill has experienced power interruptions and difficulty in sourcing adequate local ore and has operated below capacity. Indications from recent trends were more positive. However, the second quarter would indicate that this is not dependable. Multiple small mine closures in the region have both reduced the availability of and increased the cost of ore as well as reduced the grade of the feedstock.

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 June 2005 was \$7.9 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 before the costs of issue. 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 GGM joint venture in the amount of \$7.3 million. The major portion of this contribution will be used for the Hechi copper smelter expansion. A portion of the proceeds of the offering was used to fund the \$1.5 million paid to Biogan's creditors as part of the restructuring requirement while \$0.7 million was used to reduce accounts payable and \$1.1 million to pay accrued liabilities and other payables. The majority of accounts payable were related to the cost of completing the IPO.

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

The Corporation's administration costs, which are expected to increase to 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 the 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 June 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 second quarter of 2005, all but \$0.4 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 June 30, 2005, the Corporation had \$2.8 million (RMB 23 million) in short-term debt, denominated in RMB. A RMB 3,000,000 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 during the reporting period) recently resulted in such a re-valuation from the previous exchange rate to RMB 8.11 to US\$1.00. This re-valuation has resulted in an unrealized foreign exchange loss of approximately \$57,000 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 set, or at all. Accordingly, the assumptions upon which the statements are based are subject to circumstances beyond the control of the Corporation.

Determination of Mineral Reserves

One of the most significant estimates which impacts the accounting for property, plant, equipment and joint venture investments and the related depreciation and amortization, is the estimate of proven and probable reserves. The process of estimating reserves is complex, requiring significant assumptions, estimates and decisions regarding economic (i.e. metal prices, production costs and exchange rates), engineering, geophysical and geological data. A material revision to existing reserve estimates could occur because of changes to any of these factors. Changes in these reserves could result in impairment of the carrying amount of property, plant and equipment and a change in amortization expense.

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 October 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.