

**Management Discussion and Analysis  
For  
West Melville Metals Inc. (“West Melville” or “WM” or “the Company”)**

Containing information up to and including May 29, 2012.

The following interim Management Discussion and Analysis (“MD&A”) should be read in conjunction with the Company’s condensed consolidated interim financial statements for the three month period ended March 31, 2012 together with the notes thereto, which can be found along with other information of the Company on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts presented in this MD&A and in the condensed consolidated interim financial statements are expressed in Canadian Dollars.

**Forward Looking Statements**

This MD&A provides management’s analysis of West Melville’s historical financial and operating results and provides estimates of West Melville’s future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management’s assessments of the Company’s future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of resource and reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking statements. The Company’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits the Company will derive therefrom. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

**Overview**

West Melville is a mineral exploration (exploration stage) company involved in the acquisition and exploration of resource properties in North America and Greenland. The Company is exploring for iron ore in Nunavut, Canada and for iron, titanium and vanadian in Greenland. The Company does not have any producing resource properties at this time. The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company has received provisional approval to trade on the TSX Venture Exchange.

**Highlights**

***Exploration Update – Summary***

During the three month period ended March 31, 2012, the Company did not conduct any significant exploration programs on any of its key projects.

### ***Financing and Corporate***

During the three months ended March 31, 2012, the Company closed a private placement that consisted of 2,920,000 non-flow-through common shares at \$0.25 per common share for gross proceeds of \$730,000.

During the three months ended March 31, 2012, the Company's Board has approved the grant of options to acquire up to 4,100,000 common shares of the Company. These stock option grants are dependent on the Company fulfilling its maximum offering of 20,000,000 under the Company's IPO. In the event that the maximum offering under the Company's IPO is not sold, the number of stock options will be reduced to comply with the stock option plan's limitation that the number of options outstanding cannot exceed 10% of the issued and outstanding common shares of the Company.

### ***Subsequent to the three months ended March 31, 2012***

On May 9, 2012, the Company filed a final IPO prospectus with the regulatory authorities in British Columbia, Alberta and Ontario. As of the date of filing this MD&A, the Company is considering amending its final IPO prospectus to reduce the size of the minimum offering and to add a flow-through share component to the offering.

### **Results of Operations**

The Company is in the process of acquiring an interest in properties which are in the early stages of exploration and none of these properties are in production. Therefore, mineral exploration expenditures on which the Company has acquired mineral rights are capitalized in accordance with the Company's accounting policies and losses are incurred as a result of administrative and project evaluation expenses relating to the operation of the Company's business.

The key performance driver for the Company is the acquisition and exploration of prospective mineral properties.

At this time, the Company is not anticipating profit from operations in the near future as the Company is still in the process of determining whether the properties in which the Company is acquiring an interest, contain economically recoverable reserves. Unless the Company is able to realize profits from the production and marketing of commodities from the properties in which it is acquiring an interest, the Company will report an annual deficit and will rely on its ability to obtain equity/or debt financing to fund on-going operations.

Additional financing will be required for new exploration and promotional initiatives. Due to the inherent nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt in order to support its corporate and exploration activities, as well as its share of obligations relating to mineral properties.

### **Financial Summary for the Three Months Ended March 31, 2012**

The Company is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. The Company capitalizes all acquisition and exploration costs on which the Company has acquired mineral rights until the property to which those costs are related is placed into production, sold, or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized exploration and evaluation assets will vary in a fiscal period from one year to the next and typically cannot be predicted in advance. During the three months ended March 31, 2012, a total of \$38,943 of exploration and evaluation assets were capitalized. Capitalized exploration and evaluation assets increased from \$880,086 as at December 31, 2011

to \$919,029 as at March 31, 2012. Details of the cost break-down are contained in note 4 to the condensed consolidated interim financial statements.

The Company's net loss for the three months ended March 31, 2012 totalled \$689,727 or \$0.03 per share. Total assets increased from \$2,115,487 as at December 31, 2011 to \$2,256,760 as at March 31, 2012. The Company's cash and cash equivalents decreased from \$1,139,714 as at December 31, 2011 to \$950,076 as at March 31, 2012.

Three Month Period Ended March 31, 2012

The net loss for the three months ended March 31, 2012 was \$689,727.

Operating expenses for the three months ended March 31, 2012 totalled \$693,487. Significant operating expenditures are as follows:

		Three Months Ended March 31 <b>2012</b>
Advertising and promotion	1	<b>\$ 18,600</b>
Consulting	2	<b>23,068</b>
Depreciation		<b>3,216</b>
Office and administration		<b>11,967</b>
Project evaluation	3	<b>308,340</b>
Professional fees	4	<b>92,590</b>
Rent		<b>7,349</b>
Personnel	5	<b>96,447</b>
Stock-based compensation	6	<b>86,473</b>
Transfer agent and filing fees	7	<b>22,854</b>
Travel and conferences	8	<b>22,583</b>
		<b>(693,487)</b>
Other Income (expenses)		
Interest income		<b>2,508</b>
Interest expense		<b>(161)</b>
Amortization of flow-through share premium liability		<b>1,413</b>
Loss for the period		<b>\$ (689,727)</b>

Notes:

1. Advertising and promotion expenses relate to initial promotional work for the new Company.
2. Consulting fees relate to an investor relations consultant.
3. Project evaluation expenses relate to expenditures on the Company's Greenland property for drilling, camp setup and other geology work.
4. Professional fees relate to legal, audit and tax fees related to the setup and public listing of the Company.
5. Personnel expenses are for the salaries and wages for employees of the Company.
6. Stock-based compensation expense relates to stock options granted during the period with the expense being recognized over the vesting period of the options.
7. Transfer agent and filing fees relate to the initial filing and IPO of the Company.
8. Travel and conference expenses relate to attendance of some conferences in the east coast for senior members of management.

**Summary of Quarterly Results**

Quarterly results fluctuate depending on the timing of the granting and vesting of stock options and the incurrence of project evaluation expenses.

The following table summarizes selected financial data reported by the Company for the quarter ended March 31, 2012 and the previous three quarters.

	<b>Mar 31 12</b>	<b>Dec 31 11</b>	<b>Sept 30 11</b>	<b>June 30 11</b>
Current assets	\$ 1,280,615	\$ 1,180,882	\$ 108,557	\$ -
Exploration and evaluation assets	919,029	880,086	416,642	-
Total assets	2,256,760	2,115,487	525,199	-
Current liabilities	399,754	295,227	558,039	39,465
Share capital	3,000,641	2,270,641	50,000	1
Net loss	(689,727)	(378,601)	(122,691)	(39,089)
Basic loss per share	\$ (0.03)	\$ (0.07)	\$ (0.04)	\$ (39,089)
Weighted avg. shares	21,558,305	5,720,098	3,135,870	1

## **Liquidity and Capital Resources**

### Three months ended March 31, 2012

Cash and cash equivalents decreased by \$189,638 during the three months ended March 31, 2012 from \$1,139,714 as at December 31, 2011 to \$950,076 at March 31, 2012. Working capital decreased by \$4,794 during the three months ended March 31, 2012 from \$885,655 as at December 31, 2011 to \$880,861 at March 31, 2012. The cash and cash equivalents balance is sufficient to repay current accounts payable and accrued liabilities of \$377,542 (December 31, 2011 - \$271,602).

Cash utilized in operating activities during the three months ended March 31, 2012 was \$779,997.

Cash flows from investing activities during the three months ended March 31, 2012 totalled a use of \$49,641. The investing activities were as follows: utilization of \$43,828 for exploration and evaluation expenditures, and \$5,813 utilized for the purchase of equipment.

At March 31, 2012, the Company's investment in exploration and evaluation assets aggregated \$919,029 (December 31, 2011 - \$880,086), and equipment, net of amortization, was \$57,116 (December 31, 2011 - \$54,519).

During the three months ended March 31, 2012, the Company raised net cash proceeds of \$640,000 through private placements. At March 31, 2012, share capital of \$3,000,641 comprised of 22,103,800 issued and outstanding common shares (December 31, 2011 - \$2,270,641 comprising 19,183,800 shares outstanding). Contributed surplus, which arises from the recognition of the estimated fair value of stock options, was \$86,473 (December 31, 2011 - \$nil). As a result of the net loss for the three months ending March 31, 2012 of \$689,727 (period ended December 31, 2011 - \$540,381), the deficit at March 31, 2012 increased to \$1,230,108 from \$540,381 at December 31, 2011. Accordingly, shareholders equity was \$1,857,006 as compared to \$1,820,260 at December 31, 2011.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. See "Risks and Uncertainties".

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company may raise money through the sale of equity instruments and

from optioning its resource properties. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

## Project Update

### *Fraser Bay Option Agreement*

The Fraser Bay Iron Property ("Fraser Bay Property") covers 3,228 acres and consists of a single mineral lease along the central western coast of the Melville Peninsula, located in Nunavut Territory, Canada. The mineral lease is wholly-owned by Roche Bay PLC ("Roche Bay").

Pursuant to the Fraser Bay Option Agreement, Roche Bay granted the Company an option to acquire up to an undivided 70% right, title and interest in the Fraser Bay Iron Property, as follows:

- A. In order to acquire an initial undivided 30% interest in and to the Fraser Bay Property (the "First Option"), the Company must, prior to September 30, 2012:
  - i. Issue to Roche Bay such number of common shares as is equal to the greater of 2,500,000 common shares and 10% of the issued and outstanding shares of the Company on the date of issuance;
  - ii. Incur \$2,500,000 in exploration expenditures prior to September 30, 2012, which shall include a minimum of 1,200 metres of drilling; and
  - iii. Complete its IPO and have its common shares listed on a recognized stock exchange by June 4, 2012.

All work on the Fraser Bay Property necessary to exercise the First Option must be conducted by Apex Geoscience Ltd. Upon the Company completing the above requirements and earning its initial 30% interest in the Fraser Bay Property, the parties have agreed to negotiate and enter into a joint venture agreement governing the operations on the Fraser Bay Property. In the event the Company has not completed its IPO and its common shares have not been listed on a recognized stock exchange by June 4, 2012, Roche Bay can terminate the Fraser Bay Option Agreement. The Company is currently negotiating an amendment to the Fraser Bay Option Agreement that would extend the required IPO completion date to December 31, 2012.

After exercise of the First Option, the Company, or the operators of the joint venture formed between the parties, shall pay to Roche Bay in perpetuity, on a pro rata basis against its share of production, an overriding royalty on the sale by any party of all ores, minerals, metals or other products extracted, mined, utilized, removed or produced from the Fraser Bay Property (collectively the "Mineral Products"), as follows:

- 0.5% on the gross proceeds from the sale of any Mineral Products; and
  - 3.9% on the gross proceeds from the sale of any Mineral Products that are sold for at least US\$100 per kilogram refined.
- B. Upon due exercise of the First Option, the Company will have the option to acquire an additional undivided 30% interest in and to the Fraser Bay Property (the "Second Option") by completing the following no later than December 31, 2014:
    - i. Incurring an additional \$8,000,000 in exploration expenditures, or, at the Company's election, completing a minimum of 10,000 metres of drilling on the Fraser Bay Property, in each case with a minimum of \$500,000 in exploration expenditures being expended in each calendar year; and

- ii. Completing a preliminary economic assessment, which includes a resource statement on the Fraser Bay Property, in a form compliant with National Instrument ("NI") 43-101.

Failure by the Company to complete the requirements set out above to earn the additional 30% interest within the required time periods will result in termination of the Fraser Bay Option Agreement, with the Company retaining the initial 30% interest earned.

- C. Upon due exercise of the Second Option set out above, the Company will have a third option to acquire an additional undivided 10% interest in and to the Fraser Bay Property by completing a feasibility study (as defined in NI 43-101) on the Fraser Bay Property.

Pursuant to the Fraser Bay Option Agreement, the Company shall act as the operator with respect to all exploration work to be carried out on the Fraser Bay Property, and has the exclusive right to enter onto the Fraser Bay Property and to conduct exploration work thereon. The Company is required to keep the Fraser Bay Property in good standing, and to pay all rentals, taxes or other governmental charges which fall due during the period of the Fraser Bay Option Agreement. The Company must do all work on the Fraser Bay Property in compliance with all applicable laws and regulations and must permit Roche Bay access to the Fraser Bay Property at all reasonable times. The Company has agreed to provide Roche Bay with an annual report within 60 days after the end of each calendar year detailing exploration and/or development work conducted on the Fraser Bay Property. The Company has also agreed to indemnify Roche Bay against any losses, liabilities, claims, demands, damages, expenses, injuries or death arising out of the Company's work or operations on the Fraser Bay Property.

Once the Company has earned a 60% interest in the Fraser Bay Property, if the Company receives an arm's length third party offer to acquire the Fraser Bay Property for not less than \$100,000,000 (payable in cash or in shares of a publicly listed company), and such offer includes an offer to acquire Roche Bay's 40% interest on the same terms, then Roche Bay shall be required to sell its interest pursuant to the offer. If the Company receives such an offer after it has acquired an initial 30% interest but prior to acquiring a full 60% interest, the Company shall have the right to acquire the additional 30% interest from Roche Bay for the sum of \$8,000,000 less the amount of exploration expenditures actually incurred by the Company during the Second Option period. Thereafter the Company shall also be entitled to require Roche Bay to sell its remaining interest pursuant to the offer.

In the event that Roche Bay wishes to sell its interest in the Fraser Bay Property at any time to an arm's length party, the Company has a right of first refusal for a period of 30 days to acquire such interest.

The Fraser Bay Option Agreement also provides that any claims acquired by either party with an area lying within 5 kilometers from any part of the Fraser Bay Property shall form part of the Fraser Bay Property and will be subject to the Fraser Bay Option Agreement.

Pursuant to the Fraser Bay Option Agreement, if the Company undertakes an equity financing to fund the initial \$2,500,000 in exploration expenditure requirements under the Fraser Bay Option Agreement, Roche Bay has the right to purchase up to 20% of such equity financing.

The Fraser Bay Property may be subject to the following possible third party rights:

- i. A Royalty Agreement dated January 1, 1969 between Borealis Exploration Limited ("Borealis") and Catawba International, Inc. ("Catawba"), registered at the Mining Recorder's Office of the Territory of Nunavut on November 8, 1993 as G21363, pursuant to which Borealis or any of its successors will pay to Catawba a royalty (the "Borealis Royalty") equal to a 1/48 overriding royalty net of processing costs on any minerals, oil and gas. In addition, a Notice to Third Party dated August 27, 1997 between Mitlock Limited Partnership ("Mitlock") and Borealis, whereby Mitlock holds a royalty on the

mining lease equating to US\$1,875,000 (the "Mitlock Royalty"), by virtue of an Agreement and Assignment of Agreement between Borealis and Boston Safe Deposit & Trust Company. The Mitlock Royalty was registered at the Mining Recorder's Office of the Territory of Nunavut on October 8 1997 as G21522. The Mitlock Royalty is payable should Borealis lease, sell or engage in any other form of disposition of the mining lease (a "Mining Lease Sale"), and including for greater certainty, all revenues received in connection with production on or from the mining lease. In the case of a Mining Lease Sale, the Mitlock Royalty would be paid out of 25% of the net proceeds earned by Borealis from the Mining Lease Sale.

- ii. A crown royalty equal to a 6% profit royalty, after 15% depreciation and all other expenses (the "Crown Royalty"); and
- iii. An additional royalty equal to 31.5% of the Crown Royalty in favour of Canada Southern Petroleum Corporation 1979 (the "CSPC Royalty") from 1979.

None of the Crown Royalty or the CSPC Royalty (collectively the "Possible Third Party Royalties") are registered against the Fraser Bay Property at the Mining Recorder Office of Aboriginal Affairs and Northern Development Canada. The Borealis Royalty, together with the Mitlock Royalty are registered against the Fraser Bay Property at the Mining Recorders Office, which may have an effect on the Fraser Bay Property. It is undetermined at this time as to whether the Possible Third Party Royalties, or any of them, will result in an outstanding liability.

In addition to the private royalties described above, under the Northwest Territories and Nunavut Mining Regulations ("NTNMR"), an annual royalty of up to 14% of the net value of mine production is payable to the federal government for any mine production on mining leases or claims held prior to the Nunavut Land Claims Agreement. Under NTNMR, the royalty is based on defined profits multiplied by a royalty rate which is the lesser of 13% of the net value of mine output during a fiscal year and an escalating rate from 0% to 14% on incremental levels of the net value of the mine output. The value of output is generally the profits from both mining and processing operations, with the deduction of a processing allowance, and certain deductions for capital and development.

### ***Greenland Agreement***

The Greenland Property is located in south Greenland, approximately 70 kilometers west of the port town of Narsaq, south Greenland, consists of three licenses issued by the Greenland Bureau of Minerals and Petroleum. The Greenland Property contains a mineralized geological feature that is being evaluated for its potential to host an economic deposit of iron, titanium and vanadium.

Pursuant to the Greenland Agreement, Hunter Minerals Pty Ltd. ("Hunter"), an arm's length foreign entity, has agreed to sell to the Company, and the Company has agreed to purchase the Greenland Property. The Company paid a non-refundable deposit of US\$400,000 to Hunter on signing of the Greenland Agreement in November 2011. It is a condition precedent ("Condition") to the acquisition that the Company complete its IPO and have its common shares trading on the TSX Venture Exchange (the "Exchange") prior to June 15, 2012, as agreed by the Company and Hunter in an amendment to the Greenland Agreement dated February 21, 2012. The Company is currently negotiating an amendment to the Greenland Agreement that would extend the required IPO completion date to July 15, 2012.

In order to acquire the Greenland Property, the Company must:

- A. on the 10th business day after the date on which the Condition is satisfied:
  - i. pay to Hunter US\$1,500,000;

- ii. issue to Hunter that number of units (the "Units") as is equal to US\$500,000 divided by the offering price per common share of the IPO (the "Offering Price"). Each Unit shall consist of one common share and one warrant exercisable to acquire one additional common share for a period of five years at the Offering Price; and
- iii. execute and deliver the Royalty Agreement and the Restriction Agreement (both as defined below).

If the Company has not completed these requirements within five business days of the date they are required to be completed, Hunter may terminate the Greenland Agreement.

**B. on December 31, 2012:**

- i. pay to Hunter US\$1,000,000; and
- ii. issue to Hunter that number of share purchase warrants (the "VWAP Warrants") as equal to US\$500,000 divided by the price which is equal to 120% of the volume-weighted average trading price of the common shares calculated over the ten trading days up to but excluding December 31, 2012 (the "VWAP Price"). The VWAP Warrants will be exercisable for a period of five years and will be exercisable at a price equal to the VWAP Price.

If the Company does not satisfy these requirements on December 31, 2012, Hunter may terminate the Greenland Agreement.

Upon the Company satisfying its obligations in paragraph A above, Hunter must give to the Company a certified copy of each of the certificates for the licences (the "Licences") comprising the Greenland Property, execute each of the Royalty Agreement and the Restriction Agreement, and grant an exclusive interim licence (the "Interim Licence") to the Company to use the Greenland Property until such time as legal title is transferred to the Company or the Greenland Agreement is terminated. During the term of the Interim License, no license fee or other compensation (other than pursuant to the Royalty Agreement) is required to be paid by the Company to Hunter, the Company may register an interest over the Greenland Property, the Company must comply with the terms of the Licences and applicable laws governing the Greenland Property, including all work commitments, and the Company must allow Hunter and its representatives access to the Greenland Property for the purpose of ensuring records comply with the requirements of the Bureau of Minerals and Petroleum. Upon the Company satisfying its obligations in paragraph B above, Hunter is required to give to the Company the original certificates for each of the Licences and to do all such other things as are reasonably required to transfer legal and beneficial title to the Greenland Property to the Company.

The Company may waive the Condition at any time, in which event:

1. on or before June 15, 2012 the Company will be required to pay US\$1,500,000 to Hunter and execute the Royalty Agreement, and Hunter will give to the Company an executed counterpart of the Royalty Agreement, give to the Company certified copies of each of the Licences, and grant the Interim Licence to the Company; and
2. on or before December 31, 2012 the Company must pay US\$1,500,000 to Hunter and Hunter will give the Company the original certificates for the Licences and any other document reasonably required to transfer legal and beneficial title to the Greenland Property to the Company.

If the Company does not satisfy these requirements, within five business days of the respective deadlines, Hunter can terminate the Greenland Agreement.

The Company and Hunter have agreed to execute a royalty agreement (the "Royalty Agreement") pursuant to which the Company has agreed to grant to Hunter a 2.5% net smelter royalty (the

"Royalty") on minerals and mineral-bearing substances (excluding iron ore, titanium and/or vanadium) produced from the Greenland Property. The Company may, within 60 days after commencement of commercial production on the Greenland Property, reduce the Royalty to 1.25% by delivering a notice to Hunter that the Company intends to reduce the Royalty percentage and by paying US\$2,000,000 to Hunter.

The Company and Hunter have agreed that any securities issued to Hunter by the Company pursuant to the Greenland Agreement, including the Units and the VWAP Warrants shall be subject to an escrow agreement (the "Restriction Agreement") pursuant to which the securities will be held in escrow and will not be released from escrow until the date which is two years from the IPO date (subject to the discretion of the Board of Directors of the Company), at which time 70% of the securities will be released from escrow with the remaining securities released as to one-half on the date which is 30 months after the IPO date and the remaining securities on the date which is 36 months after the IPO date. In the event that the Board of Directors waives the two year escrow restriction period, the securities placed into escrow will be released as to 10% on the IPO date and 15% each six months thereafter.

## **Risks and Uncertainties**

### ***Exploration Stage Company***

West Melville is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. All of its properties are in the early stages of exploration and are without known deposits of diamonds. Development of West Melville's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that West Melville's existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, that it can be commercially mined.

### ***Mineral Exploration and Development***

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately developed into producing mines. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on West Melville.

### ***Mining Operations and Insurance***

Mining operations generally involve a high degree of risk. West Melville's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flowing and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, and periodic interruptions due to adverse weather conditions, labour disputes, and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. West Melville does not currently carry insurance against these risks and there is no assurance

that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

### ***No Operating History and Financial Resources***

West Melville does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its existing cash resources following the private placements will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Additional funds will also be required for West Melville to acquire and explore other mineral interests. West Melville has limited financial resources and there is no assurance that sufficient additional funding will be available to fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause West Melville to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

### ***Government Regulation***

The current or future operations of West Melville, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various foreign federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that West Melville will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which West Melville may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to West Melville's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### ***Competition***

The mineral exploration and mining business is competitive in all of its phases. West Melville will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. West Melville's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that West Melville will be able to compete successfully with others in acquiring such prospects.

### ***Title to Property***

West Melville has taken precautions to ensure that legal title to its property interests are properly recorded. There can be no assurance that West Melville will be able to secure the grant or the

renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of West Melville's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that West Melville may lose all or part of its interest in the properties to which such defects relate.

### ***Environmental Risks and Hazards***

All phases of West Melville's operations will be subject to environmental regulation in the jurisdictions in which it intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which West Melville holds interests or on properties that will be acquired which are unknown to West Melville at present and which have been caused by previous or existing owners or operators of the properties.

### ***Commodity Prices***

The price of West Melville's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of precious or base minerals. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond West Melville's control such as the sale or purchase of precious or base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of precious or base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of West Melville's properties to be impracticable.

Further, reserve calculations and life-of-mine plans using significantly lower precious or base minerals prices could result in material write-downs of West Melville's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Price Volatility and Lack of Active Market***

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have

experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for West Melville's securities will be subject to such market trends and that the value of such securities may be affected accordingly. There is currently no market through which the securities of West Melville can be sold and there can be no assurance that one will develop or be sustained. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price under a private placement.

### ***Key Executives***

West Melville will be dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of West Melville are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of West Melville, the loss of these persons or West Melville's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. West Melville does not currently carry any keyman life insurance on any of its executives. The directors and certain of the officers of West Melville will devote part of their time to the affairs of West Melville.

### ***Potential Conflicts of Interest***

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

### ***Dividends***

West Melville has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of West Melville and will depend on West Melville's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of West Melville deem relevant.

### ***Nature of the Securities***

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

### **Proposed Transactions**

There are no proposed transactions that should be disclosed.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure concerning West Melville's general and administrative expenses and exploration and evaluation assets is provided in the Company's Consolidated Statement of Comprehensive Loss and note 4 in its condensed consolidated interim financial statements for

the three months ending March 31, 2012 that is available on West Melville's website at [www.westmelville.com](http://www.westmelville.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

## **Outstanding Share Data**

West Melville's authorized capital is unlimited common shares without par value. As at May 29, 2012, the following common shares, options and share purchase warrants were outstanding:

	<b># of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Issued and Outstanding Common Shares	22,103,800		
Employee Stock Options	4,100,000*	\$ 0.50	ten years from the IPO date
Fully Diluted at May 29, 2012	<b><u>26,203,800</u></b>		

\*The number of stock options granted is based on the Company fulfilling its maximum offering of 20,000,000 under the Company's IPO. In the event that the maximum offering under the Company's IPO is not sold, the number of stock options will be reduced to comply with the stock option plan's limitation that the number of options outstanding cannot exceed 10% of the issued and outstanding common shares of the Company.

## ***Escrowed Securities and Resale Restrictions***

Under the applicable policies of the Canadian Securities Administrators and the Exchange, the common shares issued are subject to either escrow agreements or resale restrictions.

Pursuant to an escrow agreement dated February 22, 2012, the Company's directors and executive officers and certain other shareholders (collectively the "Principals") agreed to deposit in escrow the 10,353,800 common shares held by them prior to the IPO date. The escrow agreement provides that the escrowed common shares will be released from escrow as to 70% on the date which is two years from the date of listing on the TSX Venture Exchange ("Listing Date") and the remaining securities in equal blocks of 15% at six month intervals thereafter. The Board of Directors of the Company has the discretion to alter or waive the initial two year escrow period, in which event 10% of the escrowed securities will be released on the IPO date, with 15% released each six months thereafter.

In addition to the voluntary hold period described above, the 11,750,000 common shares held by non-Principals are subject to resale restrictions in accordance with the policies of the Exchange, as follows: 2,245,000 are subject to a three year restriction with 10% released on the Listing Date and 15% every six months thereafter; 750,000 are subject to a two year restriction with 20% released on the Listing Date and 20% each six months thereafter; and 8,755,000 common shares subject to a four month hold period pursuant to which 20% will be released on the Listing Date and 20% each month thereafter.

## **Off Balance Sheet Arrangements**

The Company does not utilize off balance sheet arrangements.

## **Contractual Obligations for the Next Five Years**

The Company has no contractual obligations over the next five years. The Company has cash and equity securities payments to make and minimum cash expenditure commitments to meet with respect to acquiring the maximum possible ownership interests in our mineral properties, but all such payments and expenditures are optional. The Company has no office lease or material equipment lease obligations.

## Transactions with Related Parties

### *Key management personnel compensation*

Key management personnel consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits to an executive officer. The aggregate value of compensation with key management personnel for the period ending March 31, 2012 was \$125,923 and was comprised of the following:

	<b>Three month period ending March 31, 2012</b>	
Wages, salaries and consulting fees	\$	<b>62,600</b>
Non-cash benefits		<b>2,159</b>
Share-based compensation		<b>61,164</b>
<b>Total remuneration</b>	<b>\$</b>	<b>125,923</b>

### *Related party transactions*

Related party transactions and balances not disclosed elsewhere in these condensed consolidated interim financial statements are as follows:

During the three month period ending March 31, 2012, the Company reimbursed \$23,500 of office expenses and salaries incurred by a company controlled by directors of the Company (\$2,539 for the period from incorporation on May 3, 2011 to December 31, 2011).

During the three month period ending March 31, 2012, the Company reimbursed companies with common directors and key management personnel \$37,055 for salaries, consulting, rent, utilities, office costs and property and equipment incurred on behalf of the Company (\$213,237 for the period from incorporation on May 3, 2011 to December 31, 2011).

During the three month period ending March 31, 2012, the Company incurred expenses on behalf of a company with common directors and key management personnel of \$nil for consulting and office expenses (\$7,434 for the period from incorporation on May 3, 2011 to December 31, 2011).

No key management personnel participated in private placements during the three month period ending March 31, 2012. During the period from incorporation on May 3, 2011 to December 31, 2011, key management personnel participated in private placements and acquired or exercised control and direction over 7,823,800 common shares and 2,800,000 flow-through common shares for gross proceeds of \$706,200.

The balance payable to related parties at March 31, 2012 was \$15,057 (December 31, 2011 - \$18,298) and such payables are unsecured, non interest bearing and are expected to be repaid under normal trade terms.

## Recent Developments and Outlook

The Company expects to obtain financing in the future primarily through further equity financing, as well as through joint venturing and/or the optioning of the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its exploration and evaluation assets.

The Company's business objectives using the available funds are to pay the balance of the costs of the IPO, complete the acquisition of interests in the Greenland Property, conduct the

recommended initial exploration programs on the Greenland Property and the Fraser Bay Property, fund its general and administrative expenses for the ensuing year, and fund its working capital requirements. Upon completion of the IPO, the initial exploration programs on the Greenland Property and the Fraser Bay Property are expected to commence shortly thereafter and are estimated to be completed by September 2012.

## **Financial Instruments and Other Instruments**

### *Overview*

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

### *Credit risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and HST recoverable. The Company limits exposure to credit risk arising from its cash and cash equivalents by maintaining its cash and cash equivalents with high-credit quality financial institutions.

The carrying value of the Company's cash and cash equivalents and HST recoverable represent the maximum exposure to credit risk.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due.

### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company does not currently have any significant interest or equity price risk as it has no interest bearing debt nor does it hold any investments in equities of another entity.

### *Currency risk*

In the normal course of business, the Company enters into transactions for the purchase of supplies and services, and acquisition of mineral properties, denominated in a currency other than the functional currency of the Company. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Company has not entered into

any derivative or other financial instruments to mitigate this foreign exchange risk. The Company does not have any significant currency risks at March 31, 2012, however future payments associated with the acquisition of the Greenland Property will be denominated in U.S. dollars.

## **Critical Accounting Estimates**

The Company's accounting policies are presented in note 3 of the December 31, 2011 consolidated annual financial statements. The preparation of financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. Significant estimates include:

- the carrying values of exploration and evaluation assets;
- the valuation of stock-based compensation expense;
- the determination of valuation allowances for deferred income tax assets; and
- the assessment of the Company's ability to continue as a going concern

### ***Exploration and evaluation assets***

The Company records its interest in exploration and evaluation assets at cost from the time the Company has obtained the legal rights to explore a specific area or mineral property. Exploration and evaluation assets are capitalized on an individual area of interest basis until such time as an economic resource body is defined or the prospect is abandoned. Costs for producing properties will be amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off.

Management of the Company reviews and evaluates the carrying value of each exploration and evaluation asset for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. When it is determined that an exploration and evaluation asset is impaired, it is written down to its estimated fair value.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of its exploration and evaluation asset. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its assets.

The recoverability of amounts capitalized as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to continue operations and to complete the development and upon future profitable production or proceeds from the disposition thereof. The discovery or establishment of adequate reserves is dependent on successful exploration. Competition for exploration resources at all levels is always competitive, particularly affecting availability of manpower, drill rigs and helicopters. As a result of this, and other factors inherent in exploration, the Company has uncertainty that it will be able to carry out its planned exploration programs.

### ***Stock-based compensation expense***

From time to time, the Company may grant share purchase options to directors, employees, and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation recorded in a period.

## **New Standards and Interpretations not yet Adopted**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2012, and have not been applied in preparing the condensed consolidated interim financial statements. None of these is expected to have a significant effect on the condensed consolidated interim financial statements of the Company, except for IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurements, which become mandatory for the Company's 2015 and 2013 condensed consolidated interim financial statements, respectively. The Company is in the process of evaluating these new standards and the impact has not yet been determined.

## **Disclosure Controls and Intend Control Over Financial Reporting**

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basis Certificate with respect to the financial information contained in the unaudited condensed consolidated interim financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instruments ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

## **Approval**

The Board of Directors of West Melville has approved the disclosure contained in this annual MD&A. A copy of this annual MD&A will be provided to anyone who requests it.

## **Additional Information**

Additional Information relating to West Melville is on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting:

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[www.westmelville.com](http://www.westmelville.com)  
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Attention: Rory Moore, Chief Executive Officer

/s/ "Rory Moore"  
Rory Moore  
Chief Executive Officer

/s/ "Jonathan Singh"  
Jonathan Singh  
Chief Financial Officer