

**WESTMELVILLE**  
METALS INC.

**(An Exploration Stage Company)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012**  
**In Canadian Dollars**

**Unaudited – Prepared by Management**

## **Notice of Non-review of Condensed Consolidated Interim Financial Statements**

The attached condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2012 have been prepared by, and are the responsibility of, the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

# West Melville Metals Inc.

(An Exploration Stage Company)

## Condensed Consolidated Statements of Financial Position

(Amounts are expressed in Canadian Dollars)

Unaudited – Prepared by Management

<b>ASSETS</b>	<b>Notes</b>	<b>As at September 30, 2012</b>	<b>As at December 31, 2011</b>
<b>Current Assets</b>			
Cash and cash equivalents		\$ 1,675,531	\$ 1,139,714
Other receivables		2,520	-
HST recoverable		135,951	41,168
Prepaid expenses		42,553	-
		<b>1,856,555</b>	<b>1,180,882</b>
<b>Non-Current Assets</b>			
Equipment	3	50,560	54,519
Exploration and evaluation assets	4	4,144,313	880,086
		<b>4,194,873</b>	<b>934,605</b>
		<b>\$ 6,051,428</b>	<b>\$ 2,115,487</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 850,142	\$ 271,602
Flow-through share premium liability	5	16,868	23,625
		<b>867,010</b>	<b>295,227</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	5	8,393,349	2,270,641
Prepaid share reserve	5	-	90,000
Contributed surplus		1,158,179	-
Deficit		( 4,367,110 )	( 540,381 )
<b>Total Shareholders' Equity</b>		<b>5,184,418</b>	<b>1,820,260</b>
		<b>\$ 6,051,428</b>	<b>\$ 2,115,487</b>

Nature of operations and going concern (Note 1)

Commitments (Note 4)

Subsequent event and initial public offering (Notes 1 and 8)

APPROVED ON BEHALF OF THE BOARD:

"Rory Moore", President & CEO, Director

"Bruce Counts", Director

- The accompanying notes are an integral part of these condensed consolidated interim financial statements -

# West Melville Metals Inc.

(An Exploration Stage Company)

## Condensed Consolidated Statement of Comprehensive Loss

For the Three and Nine Month Periods Ended September 30, 2012

(Amounts are expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Notes	Three month periods ended September 30		Nine month periods ended September 30	
		2012	2011	2012	2011
<b>Expenses</b>					
Advertising and promotion		\$ 58,486	\$ 1,010	\$ 112,051	\$ 1,010
Consulting		52,170	24,750	88,088	37,250
Depreciation		3,278	-	9,772	-
Office and administration		21,941	3,552	53,301	3,552
Project evaluation	4	81,470	35,305	2,346,554	35,305
Professional fees		47,279	985	275,081	8,687
Rent		11,982	5,566	28,140	5,566
Personnel		111,234	50,000	370,146	68,750
Stock-based compensation	5	290,845	-	552,196	-
Transfer agent and filing fees		11,092	-	63,946	-
Travel and conferences		25,770	1,523	67,161	1,523
<b>Loss before the undernoted</b>		<b>(715,547)</b>	<b>( 122,691 )</b>	<b>(3,966,436)</b>	<b>( 161,643 )</b>
<b>Other Income (Expenses)</b>					
Interest income		6,273	-	9,870	-
Interest expense		-	-	( 279 )	( 137 )
Amortization of flow-through share premium liability	5	127,234	-	130,116	-
<b>Loss and Comprehensive Loss for the Period</b>		<b>\$ (582,040)</b>	<b>\$ (122,691)</b>	<b>\$ (3,826,729)</b>	<b>\$ (161,780)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.02)</b>	<b>\$ ( 0.04 )</b>	<b>\$ (0.15)</b>	<b>\$ ( 0.07 )</b>
<b>Weighted average number of common shares outstanding</b>		<b>31,106,060</b>	<b>3,135,870</b>	<b>24,945,289</b>	<b>2,364,754</b>

- The accompanying notes are an integral part of these condensed consolidated interim financial statements -

**West Melville Metals Inc.**  
**(An Exploration Stage Company)**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the Nine Month Period Ended September 30, 2012**  
*(Amounts are expressed in Canadian Dollars)*  
*Unaudited – Prepared by Management*

	Share Capital		Prepaid share reserve	Contributed surplus	Deficit	Total shareholders' equity
	Number of shares	Amount				
Value on incorporation on May 3, 2011	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued						
Incorporator's shares	1	1	-	-	-	1
Incorporator's shares - cancelled	(1)	(1)	-	-	-	(1)
Private placements – non-flow -through	4,000,000	40,000	-	-	-	40,000
Private placements – flow -through	1,000,000	10,000	-	-	-	10,000
Loss for the period	-	-	-	-	(161,780)	(161,780)
Balance, September 30, 2011	5,000,000	50,000	-	-	( 161,780 )	( 111,780 )
Shares issued						
Private placements – non-flow -through	12,383,800	2,077,200	90,000	-	-	2,167,200
Private placements – flow -through	1,800,000	147,500	-	-	-	147,500
Share issuance costs	-	(4,059)	-	-	-	(4,059)
Loss for the period	-	-	-	-	(378,601)	(378,601)
Balance, December 31, 2011	19,183,800	2,270,641	90,000	-	( 540,381 )	1,820,260
Shares issued						
Private placements – non-flow -through	2,920,000	730,000	(90,000)	-	-	640,000
IPO - non-flow -through	8,333,150	4,166,575	-	-	-	4,166,575
IPO - flow -through	2,822,727	1,411,364	-	-	-	1,411,364
Shares/w arrants issued for property	1,007,800	503,900	-	391,550	-	895,450
Share issuance costs	-	(689,131)	-	214,433	-	(474,698)
Stock-based compensation	-	-	-	552,196	-	552,196
Loss for the period	-	-	-	-	(3,826,729)	(3,826,729)
<b>Balance, September 30, 2012</b>	<b>34,267,477</b>	<b>\$8,393,349</b>	<b>\$ -</b>	<b>\$1,158,179</b>	<b>\$(4,367,110)</b>	<b>\$ 5,184,418</b>

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**West Melville Metals Inc.**  
**(An Exploration Stage Company)**  
**Condensed Consolidated Statement of Cash Flows**  
**For the Three and Nine Month Periods Ended September 30, 2012**  
*(Amounts are expressed in Canadian Dollars)*  
*Unaudited – Prepared by Management*

	Three month periods ended September 30		Nine month periods ended September 30	
	2012	2011	2012	2011
<b>Cash Flows used in Operating Activities</b>				
Net loss for the period	\$ (582,040)	\$ (122,691)	\$ (3,826,729)	\$ (161,780)
Adjustments for:				
Depreciation	3,278	-	9,772	-
Stock-based compensation	290,845	-	552,196	-
Interest income	(6,273)	-	(9,870)	-
Interest expense	-	-	279	137
Amortization of flow-through share premium liability	(127,234)	-	(130,116)	-
Changes in non-cash working capital components:				
Other receivables	(2,520)	-	(2,520)	-
HST recoverable	(62,882)	-	(94,783)	-
Prepaid expenses	110,215	-	(42,553)	-
Accounts payable and accrued liabilities	(1,768,930)	-	(156,774)	-
	(2,145,541)	(122,691)	(3,701,098)	(161,643)
Interest received	6,273	-	9,870	-
Interest paid	-	-	(279)	-
	(2,139,268)	(122,691)	(3,691,507)	(161,643)
<b>Cash Flows used in Investing Activities</b>				
Equipment	-	-	(5,813)	-
Exploration and evaluation expenditures	(1,554,779)	-	(1,633,463)	-
	(1,554,779)	-	(1,639,276)	-
<b>Cash Flows from (used in) Financing Activity</b>				
Issuance of share capital, net of issuance costs	5,234,120	-	5,866,600	-
<b>Net Decrease in Cash and Cash Equivalents</b>				
Cash and Cash Equivalents - Beginning of Period	1,540,073	(122,691)	535,817	(161,643)
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 1,675,531</b>	<b>\$ (122,691)</b>	<b>\$ 1,675,531</b>	<b>\$ (161,643)</b>

**Supplemental Schedule of Non-Cash Investing**

<b>Activities</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
Exploration and evaluation expenditures included in accounts payable	768,134	32,820
Shares/warrants issued for exploration and evaluation assets	895,450	-

- The accompanying notes are an integral part of these condensed consolidated interim financial statements -

# **West Melville Metals Inc.**

**(An Exploration Stage Company)**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

*Unaudited – Prepared by Management*

### **1. Nature of Operations and Going Concern**

West Melville Metals Inc. (“West Melville” or the “Company”) was incorporated on May 3, 2011, pursuant to the Business Corporations Act of British Columbia, Canada. The Company was initially incorporated as 0909493 B.C. Ltd. and changed its name to West Melville Iron Company Ltd. on May 26, 2011. On January 17, 2012 the Company changed its name to West Melville Metals Inc. The Company’s head office is located at Suite 1020, 800 West Pender Street, Vancouver BC, Canada, V6C 2V6.

West Melville and its subsidiary companies are an exploration stage enterprise and are currently in the process of acquiring and exploring mineral interests in Nunavut, Canada and in Greenland with the objective of identifying economically recoverable reserves and bringing the properties to the extraction and processing stage.

The Company has not yet determined whether the properties being explored contain economically recoverable mineral reserves. The recoverability of the amounts capitalized as mineral properties is ultimately dependent upon the existence of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to continue to explore and develop the properties, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral property assets represent costs incurred to date, and do not necessarily represent current or future fair values. Values realized from assets may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have been prepared on a basis which assumes that the Company will be able to continue its operations as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2012, the Company had not achieved profitable operations, and expects to incur further losses as it develops its business and explores its mineral property interests, all of which raises substantial doubt about the Company’s ability to continue as a going concern.

The ability of the Company to carry out its planned business objectives and continue as a going concern is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow from its mineral properties. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities. On January 17, 2012, the Company completed a private placement for gross proceeds of \$730,000 and on July 23, 2012, the Company completed its initial public offering (“IPO”) for gross proceeds of \$5,552,500.

The condensed consolidated interim financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

# **West Melville Metals Inc.**

(An Exploration Stage Company)

## **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

*Unaudited – Prepared by Management*

### **2. Significant Accounting Policies**

#### **a) Basis of preparation and statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). The accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the Company’s most recent consolidated annual financial statements for the period ended December 31, 2011.

The disclosures contained in these condensed consolidated interim financial statements do not include all of the requirements for annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and, accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the period from incorporation on May 3, 2011 to December 31, 2011.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 26, 2012.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries: Isortoq Holdings and Thule Holdings. Results of operations of the subsidiaries are included in these condensed consolidated interim financial statements from the date of their incorporation in the Cayman Islands on December 9, 2011. All intercompany balances and transactions have been eliminated upon consolidation.

#### **b) Use of estimates and judgments**

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. There has been no significant change to the Company’s significant accounting estimates from those disclosed in note 2 of the audited consolidated financial statements for the period ended December 31, 2011, except for the addition of estimates associated with the valuation of stock options (note 5).

#### **c) 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 September 30, 2012, and have not been applied in preparing these 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.



**West Melville Metals Inc.**  
**(An Exploration Stage Company)**  
**Notes to the Condensed Consolidated Interim Financial**  
**Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

*Unaudited – Prepared by Management*

**3. Equipment**

	Furniture & Equipment	Computer Hardware	Field Equipment	Leasehold Improvements	Total
<b>Cost at December 31, 2011</b>	\$ 28,375	\$ 3,149	\$ -	\$ 27,025	\$ 58,549
<b>Current period additions</b>	3,939	-	1,874	-	5,813
<b>Cost at September 30, 2012</b>	<b>32,314</b>	<b>3,149</b>	<b>1,874</b>	<b>27,025</b>	<b>64,362</b>
<b>Accumulated depreciation at December 31, 2011</b>	2,005	551	-	1,474	4,030
<b>Current period depreciation</b>	4,546	585	219	4,422	9,772
<b>Accumulated depreciation at September 30, 2012</b>	<b>6,551</b>	<b>1,136</b>	<b>219</b>	<b>5,896</b>	<b>13,802</b>
<b>Net book value at September 30, 2012</b>	<b>\$ 25,763</b>	<b>\$ 2,013</b>	<b>\$ 1,655</b>	<b>\$ 21,129</b>	<b>\$ 50,560</b>
Net book value at December 31, 2011	\$ 26,370	\$ 2,598	\$ -	\$ 25,551	\$ 54,519

**4. Exploration and Evaluation Assets**

	September 30, 2012			December 31, 2011		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
<b>Exploration and Evaluation Assets</b>						
<b>Fraser Bay</b>						
Balance, beginning of the period	\$ 200	\$ 460,686	\$ 460,886	\$ -	\$ -	\$ -
Acquisition costs	11,335	-	11,335	200	-	200
Air support and transportation	-	120,085	120,085	-	-	-
Camp costs	-	452,342	452,342	-	54,216	54,216
Community relations	-	24,148	24,148	-	-	-
Consulting	-	250,953	250,953	-	51,874	51,874
Geophysics	-	462	462	-	141,013	141,013
Travel and accommodations	-	117,676	117,676	-	24,260	24,260
Trenching	-	563,633	563,633	-	189,323	189,323
Balance, end of period	<b>11,535</b>	<b>1,989,985</b>	<b>2,001,520</b>	200	460,686	460,886
<b>Greenland Property</b>						
Balance, beginning of the period	419,200	-	419,200	-	-	-
Acquisition costs	1,723,593	-	1,723,593	419,200	-	419,200
Balance, end of period	<b>2,142,793</b>	-	<b>2,142,793</b>	419,200	-	419,200
<b>Total</b>	<b>\$ 2,154,328</b>	<b>\$ 1,989,985</b>	<b>\$ 4,144,313</b>	<b>\$ 419,400</b>	<b>\$ 460,686</b>	<b>\$ 880,086</b>

# West Melville Metals Inc.

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2012

(Amounts are expressed in Canadian Dollars)

Unaudited – Prepared by Management

### 4. Exploration and Evaluation Assets – Continued

#### Project Evaluation Expenses - Greenland Property

Incurring for the period from incorporation on May 3, 2011 to December 31, 2011	\$ 216,021
Incurring for the nine month period ended September 30, 2012	2,346,554
<b>Cumulative project evaluation expenses as at September 30, 2012</b>	<b><u>\$ 2,562,575</u></b>

#### Fraser Bay Option Agreement

The Fraser Bay Iron Property (“Fraser Bay Project”) 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 Project, as follows:

- A. In order to acquire an initial undivided 30% interest in and to the Fraser Bay Project (the “First Option”), the Company must:
  - i) Issue to Roche Bay common shares in the capital stock of the Company such number of common shares not to exceed an aggregate of 7 million common shares, as follows:
    - a. On the date that is the later of the IPO and October 31, 2012, such number of common shares as is equal to 5%, less 150,000 shares, of the issued and outstanding common shares of the Company on the date of issuance, with a hold period of 150 days from October 31, 2012; and
    - b. On or before September 30, 2013, such number of common shares as is equal to 5% of the issued and outstanding common shares of the Company on the date of issuance; and
  - ii) Incur an aggregate of \$2,500,000 in exploration expenditures no later than September 30, 2013 as follows:
    - a. \$500,000 in exploration expenditures on or before September 30, 2012; and
    - b. The balance in exploration expenditures on or before September 30, 2013, which exploration expenditures shall include a minimum of 1,200 metres of drilling.
  - iii) Pay to Roche Bay \$75,000 upon signing of the fourth amending agreement to the Fraser Bay Option Agreement.
  - iv) Complete its IPO and have its common shares listed on a recognized stock exchange by December 31, 2012.

## **West Melville Metals Inc.**

(An Exploration Stage Company)

# **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

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### **4. Exploration and Evaluation Assets – Continued**

#### **Fraser Bay Option Agreement - Continued**

All work on the Fraser Bay Project 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 Project, the parties have agreed to negotiate and enter into a joint venture agreement governing the operations on the Fraser Bay Project. In the event the Company has not completed its IPO and its common shares have not been listed on a recognized stock exchange by December 31, 2012, Roche Bay can terminate the Fraser Bay Option Agreement.

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 Project (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 Project (the “Second Option”) by completing the following no later than December 31, 2015:
- 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 Project, 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 Project, 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 Project by completing a feasibility study (as defined in NI 43-101) on the Fraser Bay Project.

## **West Melville Metals Inc.**

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# **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

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#### **4. Exploration and Evaluation Assets – Continued**

##### **Fraser Bay Option Agreement - Continued**

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 Project, and has the exclusive right to enter onto the Fraser Bay Project and to conduct exploration work thereon. The Company is required to keep the Fraser Bay Project 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 Project in compliance with all applicable laws and regulations and must permit Roche Bay access to the Fraser Bay Project 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 Project.

Once the Company has earned a 60% interest in the Fraser Bay Project, if the Company receives an arm's length third party offer to acquire the Fraser Bay Project 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 Project 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 within an area lying within 5 kilometres from any part of the Fraser Bay Project shall form part of the Fraser Bay Project 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.

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### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

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#### **4. Exploration and Evaluation Assets – Continued**

##### **Fraser Bay Option Agreement - Continued**

The Fraser Bay Project may be subject to the following possible third party royalties:

- 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.

Neither of the Crown Royalty or the CSPC Royalty (collectively the "Possible Third Party Royalties") is registered against the Fraser Bay Project at the Mining Recorder's Office of Aboriginal Affairs and Northern Development Canada. The Borealis Royalty, together with the Mitlock Royalty are registered against the Fraser Bay Project at the Mining Recorder's Office, which may have an effect on the Fraser Bay Project. 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 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.

During the nine month period ended September 30, 2012, the Company conducted a surface sampling campaign. The Company was also successful in establishing a 25-person, all-season camp and infrastructure.

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(An Exploration Stage Company)  
**Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

*Unaudited – Prepared by Management*

**4. Exploration and Evaluation Assets – Continued**

**Greenland Agreement**

The Isortoq Property is located in south Greenland, approximately 70 kilometres west of the port town of Narsaq, south Greenland, and consists of three licenses issued by the Greenland Bureau of Minerals and Petroleum. The Isortoq 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. (“HMP”), an arm’s length foreign entity, has agreed to sell to the Company, and the Company has agreed to purchase the Isortoq Property. The Company paid a non-refundable deposit of US\$400,000 to HMP on signing of the Greenland Agreement in November 2011. It was a condition precedent to the acquisition of the Isortoq Property that the Company complete its IPO and have its common shares trading on the TSX Venture Exchange (the “Exchange”) prior to July 27, 2012, as agreed by the Company and HMP in an amendment to the Greenland Agreement dated July 6, 2012.

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

- A. on the 10th business day after the date on which the Company commences trading on a public exchange:
  - i) pay to HMP the amount equal to 15% of the gross proceeds raised by the IPO;
  - ii) issue to HMP 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).

The Company completed these requirements within the stipulated time.

- B. on December 31, 2012, pay to HMP that amount equal to 10% of the gross proceeds raised by the IPO.
- C. on July 31, 2013, or such earlier day as the parties may agree:
  - i) pay to HMP that amount that is equal to US\$2,500,000 less the amounts paid pursuant to A(i) and B above;
  - ii) issue to HMP 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 July 31, 2013 (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 July 31, 2013, HMP may terminate the Greenland Agreement.

## **West Melville Metals Inc.**

(An Exploration Stage Company)

# **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

*Unaudited – Prepared by Management*

#### **4. Exploration and Evaluation Assets – Continued**

##### **Greenland Agreement - Continued**

Upon the Company satisfying its obligations in paragraph A above, HMP must execute each of the Royalty Agreement and the Restriction Agreement (both as defined below), and grant an exclusive interim licence (the "Interim Licence") to the Company to use the Isortoq 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 HMP, the Company may register an interest over the Isortoq Property, the Company must comply with the terms of the Licences and applicable laws governing the Isortoq Property, and the Company must allow HMP and its representatives access to the Isortoq Property for the purpose of ensuring records comply with the requirements of the Bureau of Minerals and Petroleum ("BMP"). The Company is responsible for all work commitments relating to the Licences from January 1, 2012 until the earlier of the last day of the calendar year in which the Greenland Agreement is terminated, or in which the BMP registers the transfer of the Licences. Upon the Company satisfying its obligations in paragraph C above, HMP is required to give to the Company each document or other thing reasonably required by the Company to transfer legal and beneficial title to the Isortoq Property to the Company.

The Company and HMP have agreed to execute a royalty agreement (the "Royalty Agreement") pursuant to which the Company has agreed to grant to HMP a 2.5% net smelter royalty (the "Royalty") on minerals and mineral-bearing substances (excluding iron ore, titanium and/or vanadium) produced from the Isortoq Property. The Company may, within 60 days after commencement of commercial production on the Isortoq Property, reduce the Royalty to 1.25% by delivering a notice to HMP that the Company intends to reduce the Royalty percentage and by paying US\$2,000,000 to HMP.

The Company and HMP have agreed that any securities issued to HMP 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.

In late April of this year, crews mobilized to the Isortoq Property. Camp infrastructure was established and expanded around the existing Isortoq Reindeer Station located on tidewater four kilometres from the historic work. Camp materials, two core drill rigs, supplies and fuel were barged to site. Core drilling at the Isortoq Property commenced May 1<sup>st</sup> with the commissioning of 2 drill rigs capable of drilling core and the program was successfully completed in early June 2012.

**West Melville Metals Inc.**  
(An Exploration Stage Company)  
**Notes to the Condensed Consolidated Interim Financial  
Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

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**5. Share Capital**

***Authorized Share Capital***

At September 30, 2012 and December 31, 2011 the authorized share capital comprised an unlimited number of common shares without par value.

***Issued Share Capital***

During the period from incorporation on May 3, 2011 to December 31, 2011 the Company raised net seed capital of \$2,270,641 by way of private placements. The private placements consisted of 16,383,800 non flow-through common shares at various prices between \$0.01 and \$0.25 per common share for total gross proceeds of \$2,117,200 and 2,800,000 flow-through common shares at various prices between \$0.01 and \$0.10 per flow-through common share for total gross proceeds of \$157,500. Share issuance costs totaled \$4,059.

Pursuant to the subscription agreements entered into between the purchasers and the Company, the purchasers agreed that all common shares would be subject to a voluntary two year hold period from the date of listing on the Exchange ("Listing Date"), subject to the discretion of the Board of Directors of the Company.

During the nine month period ended September 30, 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. Share issuance costs totaled \$7,520.

On August 3, 2012, the Company issued 1,007,800 common shares and 1,007,800 warrants exercisable at a price of \$0.50 per share for a period of 5 years as part of the purchase price of the Greenland Agreement.

***Initial Public Offering***

On July 23, 2012, the Company announced the completion of its IPO of 8,000,000 common shares at a price of \$0.50 per common share, and 2,822,727 flow-through common shares priced at \$0.55 per flow-through common share for total gross proceeds of \$5,552,500. The Company commenced trading on the TSX Venture Exchange at market open on July 23, 2012, under the ticker symbol "WMM".

Share issuance costs in respect of the IPO consisted of \$318,380 in cash, 333,150 shares and 649,363 warrants with a fair value of \$214,432. Each warrant is exercisable at a price of \$0.50 per share for a period of two years from the IPO date.

***Escrowed Securities and Resale Restrictions***

In addition to the voluntary hold period described above, 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.



**West Melville Metals Inc.**  
(An Exploration Stage Company)  
**Notes to the Condensed Consolidated Interim Financial  
Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

*(Amounts are expressed in Canadian Dollars)*

*Unaudited – Prepared by Management*

**5. Share Capital - Continued**

***Escrowed Securities and Resale Restrictions - Continued***

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 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 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.

***Flow-through Share Liability***

Pursuant to the flow-through share agreements, the Company must renounce its qualifying flow-through share exploration expenditures to the flow-through shareholders, at which time the Company gives up its rights to the associated income tax benefits associated with the expenditures. During the period ended December 31, 2011, the Company issued 2,800,000 flow-through common shares for gross proceeds of \$157,500 and determined the fair value of the flow-through share premium liability to be \$23,625. During the period ended September 30, 2012, the Company issued 2,822,727 flow-through common shares for gross proceeds of \$1,552,500 and determined the fair value of the flow-through share premium liability to be \$141,136.

Qualifying flow-through share exploration expenditures of \$1,497,707 were incurred in the nine month period ending September 30, 2012, resulting in a pro-rata reduction of the flow-through share premium liability by \$147,893 and an increase in other income by \$130,116.

***Prepaid Share Reserve***

At December 31, 2011, the Company had received \$90,000 in relation to a private placement of non-flow through common shares that closed on January 17, 2012. The prepayment was for 360,000 common shares at a price of \$0.25 per common share and the common shares were issued by the Company on January 17, 2012.

# West Melville Metals Inc.

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2012

(Amounts are expressed in Canadian Dollars)

Unaudited – Prepared by Management

### 5. Share Capital - Continued

#### Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than ten years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per common share must be at least \$0.10.

During the nine months ended September 30, 2012, the Company's Board approved the grant of options to acquire up to 4,100,000 common shares at an exercise price of \$0.50 for a period of ten years from the Listing Date. As the maximum offering under the Company's IPO was not sold, the number of stock options was reduced to 3,265,000 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. The stock options vest at 25% one year from the grant date, and further 25% increments every three months thereafter. Stock-based compensation expense under the Black-Scholes option pricing model of \$552,196 was recorded in relation to options in the nine months ended September 30, 2012. The weighted average fair value of the options granted was \$0.45 per option.

The fair value of stock options for all options issued was estimated at the grant date based on the Black-Scholes option pricing model with the following weighted average assumptions:

<b>September 30, 2012</b>	
Risk-free interest rate	1.42%
Expected dividend yield	0%
Expected stock price volatility	137%
Expected forfeitures	0%
Average expected option life	5.5 years

### 6. Related Party Transactions

#### Key management compensation

Key management 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 for the nine month period ending September 30, 2012 was \$705,571 and was comprised of the following:

	<b>Nine month period ending September 30, 2012</b>	
Wages, salaries and consulting fees	\$	280,203
Non-cash benefits		9,849
Share-based compensation		415,519
Total remuneration	\$	705,571

## **West Melville Metals Inc.**

**(An Exploration Stage Company)**

# **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Month Periods Ended September 30, 2012**

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### **6. Related Party Transactions - Continued**

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

During the nine month period ending September 30, 2012, the Company reimbursed \$132,410 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 nine month period ending September 30, 2012, the Company reimbursed companies with common directors and key management \$111,433 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 nine month period ending September 30, 2012, the Company incurred expenses on behalf of a company with common directors and key management of \$nil for consulting and office expenses (\$7,434 for the period from incorporation on May 3, 2011 to December 31, 2011).

No members of key management participated in private placements during the nine month period ending September 30, 2012. During the period from incorporation on May 3, 2011 to December 31, 2011, key management 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 September 30, 2012 was \$11,396 (December 31, 2011 - \$18,298) and such payables are unsecured, non interest bearing and are expected to be repaid under normal trade terms.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

# West Melville Metals Inc.

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2012

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Unaudited – Prepared by Management

### 7. Segmented Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector and the Company's operations are segmented by the location of its mineral properties.

As at September 30, 2012 and for the nine month period ending September 30, 2012

	Canada	Greenland	Total
<b>Current assets</b>	\$ 1,856,555	\$ -	\$ 1,856,555
<b>Equipment</b>	50,560	-	50,560
<b>Exploration and evaluation assets</b>	2,001,520	2,142,793	4,144,313
<b>Total Assets</b>	<b>3,908,635</b>	<b>2,142,793</b>	<b>6,051,428</b>
<b>Total Liabilities</b>	\$ 830,622	\$ 36,388	\$ 867,010
<b>Project evaluation expenses</b>	\$ -	\$ 2,346,554	\$ 2,346,554
<b>Other expenses</b>	1,480,175	-	1,480,175
<b>Net Loss</b>	\$ 1,480,175	\$ 2,346,554	\$ 3,826,729

As at December 31, 2011

	Canada	Greenland	Total
<b>Current assets</b>	\$ 1,180,882	\$ -	\$ 1,180,882
<b>Equipment</b>	54,519	-	54,519
<b>Exploration and evaluation assets</b>	460,886	419,200	880,086
<b>Total Assets</b>	<b>1,696,287</b>	<b>419,200</b>	<b>2,115,487</b>
<b>Total Liabilities</b>	\$ 244,142	\$ 51,085	\$ 295,227

### 8. Subsequent Event

On October 31, 2012, the Company issued 1,563,374 shares to Roche Bay in accordance with the Fraser Bay Option Agreement.