

WESTMELVILLE
M E T A L S I N C .

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2013 and 2012

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 six month periods ended June 30, 2013 and 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

ASSETS	<i>Notes</i>	As at June 30, 2013	As at December 31, 2012
Current			
Cash and cash equivalents		\$ 356,151	\$ 89,668
Other receivables		11,038	2,714
HST recoverable		9,218	183,957
Prepaid expenses		9,860	56,951
		386,267	333,290
Equipment	3	42,860	48,905
Exploration and Evaluation Assets	4	5,459,514	5,373,387
		5,502,374	5,422,292
		\$ 5,888,641	\$ 5,755,582
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 33,957	\$ 76,038
SHAREHOLDERS' EQUITY			
Share Capital	5	9,514,182	9,028,720
Contributed surplus		1,918,441	1,482,864
Deficit		(5,577,939)	(4,832,040)
Total Shareholders' Equity		5,854,684	5,679,544
		\$ 5,888,641	\$ 5,755,582

Nature of operations and going concern *(Note 1)*

Commitments *(Note 4)*

Subsequent events *(Notes 4, and 5)*

APPROVED ON AUGUST 20, 2013 ON BEHALF OF THE BOARD:

"Rory Moore" _____, President, CEO and Director

"Bruce Counts" _____, Director

West Melville Metals Inc.
(An Exploration Stage Company)
Condensed Consolidated Statements of Comprehensive Loss
For the Three and Six Month Periods Ended June 30, 2013 and 2012

(Amounts are expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Notes	Three month period ended June 30		Six month period ended June 30	
		2013	2012	2013	2012
Expenses					
Advertising and promotion		\$ 4,178	\$ 34,965	18,410	\$ 53,565
Consulting		15,743	12,850	41,643	35,918
Corporate listing and filing fees		6,495	30,000	7,595	52,854
Depreciation		3,023	3,278	6,045	6,494
Office and administration		5,212	19,393	22,086	31,360
Personnel		34,632	162,465	131,903	258,912
Project evaluation	4	-	1,956,744	-	2,265,084
Professional fees		16,896	135,212	54,763	227,802
Rent		1,875	8,809	18,785	16,158
Stock-based compensation	5	146,921	174,878	421,789	261,351
Transfer agent fees		1,789	-	2,779	-
Travel and conferences		1,364	18,808	20,103	41,391
Loss before the undernoted		(238,128)	(2,557,402)	(745,901)	(3,250,889)
Other Income (Expenses)					
Interest income		366	1,089	614	3,597
Interest expense		-	(118)	-	(279)
Part 12.6 tax expense		-	-	(612)	-
Amortization of flow-through share premium liability	5	-	1,469	-	2,882
Loss and Comprehensive Loss for the Period		\$ (237,762)	\$ (2,554,962)	(745,899)	\$ (3,244,689)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.12)	(0.02)	\$ (0.15)
Weighted average number of common shares outstanding		39,735,247	22,103,800	37,793,834	21,831,053

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

West Melville Metals Inc.
(An Exploration Stage Company)
Condensed Consolidated Statement of Changes in Equity
For the Six Month Periods Ended June 30, 2013 and 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				
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	722,480	(90,000)	-	-	632,480
Stock-based compensation	-	-	-	261,351	-	261,351
Loss for the period	-	-	-	-	(3,244,689)	(3,244,689)
Balance, June 30, 2012	22,103,800	2,993,121	-	261,351	(3,785,070)	(530,598)
Shares issued						
IPO - non-flow -through	8,333,150	4,166,575	-	-	-	4,166,575
IPO - flow -through	2,822,727	1,552,500	-	-	-	1,552,500
Shares/w arrants issued for property	2,571,174	1,141,395	-	391,550	-	1,532,945
Share issuance costs	-	(701,512)	-	214,432	-	(487,080)
Flow through premium transferred to flow through premium liability	-	(123,359)	-	-	-	(123,359)
Stock-based compensation	-	-	-	615,531	-	615,531
Loss for the period	-	-	-	-	(1,046,970)	(1,046,970)
Balance, December 31, 2012	35,830,851	9,028,720	-	1,482,864	(4,832,040)	5,679,544
Private placements – non-flow -through	10,450,000	522,500	-	-	-	522,500
Share issuance costs - cash	-	(23,250)	-	-	-	(23,250)
Share issuance costs - w arrants	-	(13,788)	-	13,788	-	-
Stock-based compensation	-	-	-	421,789	-	421,789
Loss for the period	-	-	-	-	(745,899)	(745,899)
Balance, June 30, 2013	46,280,851	\$ 9,514,182	\$ -	\$ 1,918,441	\$ (5,577,939)	\$ 5,854,684

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

West Melville Metals Inc.

(An Exploration Stage Company)

Condensed Consolidated Statements of Cash Flows

For the Three and Six Month Periods Ended June 30, 2013 and 2012

(Amounts are expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Three month period ended June 30		Six month period ended June 30	
	2013	2012	2013	2012
Cash Flows used in Operating Activities				
Net loss for the period	\$ (237,762)	\$ (2,554,962)	\$ (745,899)	\$ (3,244,689)
Adjustments for:				
Depreciation	3,023	3,278	6,045	6,494
Stock-based compensation	146,921	174,878	421,789	261,351
Interest income	(118)	(1,089)	(366)	(3,597)
Interest expense	-	118	-	279
Amortization of flow-through share premium liability	-	(1,469)	-	(2,882)
Changes in non-cash working capital components:				
Other receivables	(1,289)	-	(8,324)	-
HST recoverable	19,837	26,750	174,739	(31,901)
Prepaid expenses	3,505	77,952	47,091	(152,768)
Accounts payable and accrued liabilities	(40,125)	1,501,331	(23,755)	1,612,156
	(106,008)	(773,213)	(128,680)	(1,555,557)
Interest received	118	1,089	366	3,597
Interest paid	-	(118)	-	(279)
	(105,890)	(772,242)	(128,314)	(1,552,239)
Cash Flows used in Investing Activities				
Equipment	-	-	-	(5,813)
Exploration and evaluation expenditures	(51,019)	(34,856)	(104,453)	(78,684)
	(51,019)	(34,856)	(104,453)	(84,497)
Cash Flows from Financing Activity				
Issuance of share capital, net of share issuance costs	499,250	(7,520)	499,250	632,480
	499,250	(7,520)	499,250	632,480
Net decrease in cash and cash equivalents	342,341	(814,618)	266,483	(1,004,256)
Cash and cash equivalents - beginning of period	13,810	950,076	89,668	1,139,714
Cash and cash equivalents - end of period	\$ 356,151	\$ 135,458	\$ 356,151	\$ 135,458

Supplemental Schedule of Non-Cash Investing Activities

Change in accounts payable related to exploration and evaluation assets

June 30, 2013

December 31, 2012

(18,326)

(13,408)

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

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to Condensed Consolidated Interim Financial Statements
Three and Six month periods ended June 30, 2013 and 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. The Company’s common shares are publicly listed on the Toronto Stock Exchange’s Venture Exchange (the “TSXV”) under the symbol “WMM”.

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 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 operation 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 June 30, 2013, the Company had not achieved profitable operations, had an accumulated deficit of \$5,577,939 since inception, and expects to incur further losses as it develops its business and explores its mineral property interests, all of which raises significant 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 property interests. As disclosed in note 4, the Company has commitments under its Fraser Bay option agreement and Greenland property acquisition agreement which will need to be financed by funds raised by the Company. These commitments include cumulative minimum exploration expenditures on the Fraser Bay property and a US\$1.4 million acquisition payment related to the Isortoq property in Greenland that is due in 2013. The Company and its Project Vendors have negotiated an extension of the terms of the project agreements. 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 which may impact the acquisition of its mineral property interests.

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

1. Nature of Operations and Going Concern - Continued

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.

2. Significant Accounting Policies, Basis of Presentation and Principles of Consolidation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended December 31, 2012.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of August 20, 2013, the date the Board of Directors approved the statements.

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 consolidated 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.

3. Equipment

	Furniture & Equipment	Computer Hardware	Field Equipment	Leasehold Improvements	Total
Cost at December 31, 2012	\$ 32,314	\$ 3,149	\$ 1,874	\$ 29,256	\$ 66,593
Additions	-	-	-	-	-
Cost at June 30, 2013	32,314	3,149	1,874	29,256	66,593
Accumulated depreciation at December 31, 2012	8,067	1,330	312	7,979	17,688
Depreciation	2,425	273	156	3,191	6,045
Accumulated depreciation at June 30, 2013	10,492	1,603	468	11,170	23,733
Net book value at June 30, 2013	\$ 21,822	\$ 1,546	\$ 1,406	\$ 18,086	\$ 42,860

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

3. Equipment – Continued

	Furniture & Equipment	Computer Hardware	Field Equipment	Leasehold Improvements	Total
Cost at December 31, 2011	\$ 28,375	\$ 3,149	\$ -	\$ 27,025	\$ 58,549
Additions	3,939	-	1,874	2,231	8,044
Cost at December 31, 2012	32,314	3,149	1,874	29,256	66,593
Accumulated depreciation at December 31, 2011	2,005	551	-	1,474	4,030
Depreciation	6,062	779	312	6,505	13,658
Accumulated depreciation at December 31, 2012	8,067	1,330	312	7,979	17,688
Net book value at December 31, 2012	\$ 24,247	\$ 1,819	\$ 1,562	\$ 21,277	\$ 48,905

4. Exploration and Evaluation Assets

	June 30, 2013			December 31, 2012		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
Exploration and Evaluation Assets						
Fraser Bay						
Balance, beginning of the period	\$ 774,420	\$ 2,147,745	\$ 2,922,165	\$ 200	\$ 460,686	\$ 460,886
Acquisition costs	-	-	-	774,220	-	774,220
Air support and transportation	-	-	-	-	120,085	120,085
Camp costs	-	1,553	1,553	-	556,618	556,618
Community relations	-	-	-	-	24,310	24,310
Consulting	-	22,325	22,325	-	223,300	223,300
Geophysics	-	-	-	-	462	462
Travel and accommodations	-	1,380	1,380	-	119,214	119,214
Trenching	-	2,760	2,760	-	643,070	643,070
Balance, end of period	774,420	2,175,763	2,950,183	774,420	2,147,745	2,922,165
Greenland Property						
Balance, beginning of the period	2,339,778	111,444	2,451,222	419,200	-	419,200
Acquisition costs	-	-	-	1,920,578	-	1,920,578
Analytical and sampling	-	37,487	37,487	-	88,134	88,134
Field work	-	20,622	20,622	-	23,310	23,310
Balance, end of period	2,339,778	169,553	2,509,331	2,339,778	111,444	2,451,222
Total	\$ 3,114,198	\$ 2,345,316	\$ 5,459,514	\$ 3,114,198	\$ 2,259,189	\$ 5,373,387

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – Continued

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 as amended by the parties to the 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 of the Company, with the 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 Initial Public Offering (“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 (completed by the issuance of 1,563,374 common shares on October 31, 2012); and
 - b. On or before December 1, 2014, such number of Consideration Shares as is equal to 5% of the issued and outstanding common shares of the Company on the date of issuance.
 - ii) Incur an aggregate of \$2,500,000 in exploration expenditures no later than December 1, 2014 as follows:
 - a. \$500,000 in exploration expenditures on or before September 30, 2012 (completed); and
 - b. The balance in exploration expenditures on or before December 1, 2014, 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 (completed).
 - iv) Complete its IPO and have its common shares listed on a recognized stock exchange by December 31, 2012 (completed).

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.

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – Continued

Fraser Bay Option Agreement - Continued

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 April 15, 2017:
- 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 standards.

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.

In consideration for granting extensions for the completion of the first and second options, the Company will issue 200,000 shares to Roche Bay on or before February 15, 2014.

- C. Upon 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.

Pursuant to the Fraser Bay Option Agreement as amended by the parties to the 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. The Company has also agreed to indemnify Roche Bay against any losses,

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – Continued

Fraser Bay Option Agreement - Continued

liabilities, claims, demands, damages, expenses, injuries or death arising out of the Company's work or operations 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 with an area lying within 5 kilometers 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.

The Fraser Bay Project 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

West Melville Metals Inc.
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Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – Continued

Fraser Bay Option Agreement - Continued

- iii) An additional royalty equal to 31.5% of the Crown Royalty in favor of Canada Southern Petroleum Corporation 1979 (the "CSPC Royalty") from 1979.

Neither the Crown Royalty nor the CSPC Royalty (collectively the "Possible Third Party Royalties") are registered against the Fraser Bay Project 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 Project at the Mining Recorders 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 future royalty payments.

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.

During the year ended December 31, 2012, the Company conducted a surface sampling campaign. No work was conducted during the six month period ended June 30, 2013.

Greenland Agreement

The Isortoq Property is located in south Greenland, approximately 100 kilometres west of the Narsarsuaq International Airport, and consists of four 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.

West Melville Metals Inc.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Three and Six month periods ended June 30, 2013 and 2012
(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – Continued

Greenland Agreement – Continued

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, being \$832,875 (Completed);
 - 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") which was \$0.50 per common share. (Completed) The Company issued 1,007,800 Units, with each Unit consisting 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 (Completed both as defined below).
- B. on December 31, 2012, pay to HMP US\$250,000 (Completed).

The Company completed these requirements within the stipulated time.

- C. on September 30, 2013 (amended from 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 being US\$1,423,500;
 - 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 September 30, 2013 (amended from 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 September 30, 2013 (amended from July 31, 2013), HMP may terminate the Greenland Agreement.

Upon the Company satisfying its obligations in paragraph A above, HMP executed each of the Royalty Agreement and the Restriction Agreement (both as defined below), and granted an exclusive interim license (the "Interim License") 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 Licenses 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

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4. Exploration and Evaluation Assets – Continued

Greenland Agreement - Continued

Petroleum ("BMP"). The Company is responsible for all work commitments relating to the Licenses 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 Licenses. Upon receipt of the Interim License, the Company commenced capitalization of exploration and evaluation costs. 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 executed 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 1,007,800 Units issued in 2012 and the VWAP Warrants to be issued 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 July 23, 2012 (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. To date the Board of Directors has not waived the two year escrow restriction period.

In late April 2012, crews mobilized at the Isortoq Property. Camp infrastructure was established and expanded around the existing Isortoq Reindeer Station located on tidewater which is four kilometres from the historic work site. Core drilling at the Isortoq Property commenced May 1, 2012 and the program was completed in early June 2012.

Prior to receiving the Interim License in August 2012, all costs incurred with respect to exploration and evaluation work were expensed as incurred, resulting in a project evaluation expense during the six month period ended June 30, 2013 of \$nil (2012 - \$2,265,084). Upon receipt of the Interim License all exploration and evaluation work has been capitalized.

5. Share Capital

Authorized Share Capital

At June 30, 2013, the authorized share capital comprised an unlimited number of common shares without par value.

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5. Share Capital – Continued

Issued Share Capital

Private Placement

On May 28, 2013, the Company closed a non-brokered private placement consisting of 10,450,000 units at a price of \$0.05 per unit for gross proceeds of \$522,500. Each unit consists of one common share and one common share purchase warrant.

Each common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.20 per share subject to the Company's right to accelerate the exercise of the warrants if the daily volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange is equal to or exceeds \$0.30 for a period of 10 consecutive trading days during the term of the warrant, commencing four months after the date the warrants are issued. The securities are subject to a four month hold period.

Share issuance costs include \$23,250 cash commission and 345,000 finder's warrants with a fair value of \$13,788. Each finder's warrant is exercisable at a price of \$0.20 per share for a period of two years from closing, May 28, 2013.

The Company intends to use the proceeds of the private placement for general working capital purposes.

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 (the "Listing Date"), under the ticker symbol "WMM".

Share issuance costs in respect of the IPO were \$701,511 which consisted of \$320,504 in cash, 333,150 common shares with a fair value of \$166,575 and 649,363 broker warrants with a fair value of \$214,432. Each broker warrant is exercisable at a price of \$0.50 per common share for a period of two years from July 23, 2012.

The flow-through share premium of \$141,136 (\$0.05 per common share) was recorded as a flow-through share premium liability, net of \$17,777 in associated share issue costs.

Other Share Issuances – 2012

During the year ended December 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. Share issuance costs totaled \$7,521.

On August 3, 2012, the Company issued 1,007,800 common shares with a fair value of \$453,510 and 1,007,800 common share purchase warrants with a fair value of \$391,550 as part of the acquisition of the Isortoq Property (note 4). The common share purchase warrants are exercisable at a price of \$0.50 per common share for a period of five years.

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5. Share Capital – Continued

Share Issuances – 2012 - Continued

On October 31, 2012, the Company issued 1,563,374 common shares with a fair value of \$687,885 as part of the purchase price of the Fraser Bay Option Agreement.

Share Issuances – 2011

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.

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.

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 common shares deposited in escrow prior to the IPO, 1,007,800 Units issued subsequent to the IPO as part of the acquisition of the Isortoq property in Greenland are subject to the escrow terms. As of June 30, 2013, 11,361,600 common shares remained in escrow in accordance with the escrow agreement. To date the Board of Directors has not waived the two year escrow restriction period.

In addition to the hold period described above, 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. As of June 30, 2013, 2,133,750 common shares remain subject to the resale restrictions.

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5. Share Capital – Continued

Flow-through Premium Liability - Continued

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. The 2,800,000 flow-through common shares issued in 2011 were not issued at a premium to the value of non-flow-through common shares and the Company has considered the benefit associated with the flow-through common shares to be a non-cash compensation expense of the Company for services rendered. The fair value of the flow-through share liability and associated compensation expense was determined to be \$23,625. During 2012, the Company issued an additional 2,822,727 flow-through shares with a net premium liability of \$123,359.

The amount recorded to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or “premium”, are recorded as a liability. When qualifying expenditures are incurred and the intention is to renounce the tax benefits to the shareholders, the flow-through share premium is recognized in other income and the liability is reversed.

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.

Warrants

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 2012	1,657,163	\$ 0.50
Issued	10,795,000	\$ 0.20
Outstanding warrants, June 30, 2013	12,452,163	\$ 0.24

At June 30, 2013, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
July 19, 2014	\$0.50	649,363	1.30
May 28, 2015	\$0.20	10,795,000	1.91
August 3, 2017	\$0.50	1,007,800	4.34
Weighted average exercise price and remaining contractual life	\$0.24	12,452,163	2.07

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5. Share Capital – Continued

Warrants - Continued

The fair value of warrants issued during the year ended was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Estimated risk-free rate	1.04-1.30%
Expected volatility	134%
Estimated dividend yield	0.0%
Expected life of warrants	2-5 years

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 common 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.

The changes in stock options issued are as follows:

	Number	Weighted Average Exercise Price
Outstanding December 31, 2012	3,265,000	\$0.50
Expired /cancelled without exercise	(100,000)	\$0.50
Outstanding June 30, 2013	3,165,000	\$0.50

At June 30, 2013 the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Life in Years
February 23, 2022	\$0.50	3,165,000	1,607,500	8.66

Subsequent to June 30, 2013, 225,000 options were expired/cancelled without exercise.

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:

June 30, 2013	
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

For all valuation models, the risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected volatility is based on the Company's historical prices. The Company did not have a history of common

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5. Share Capital – Continued

Stock Options – Continued

stock prices at the grant date so the average volatility of five comparable companies was used for the options granted in 2012. The expected average option life and expected forfeitures are based on management's best estimate of the Company's options.

6. Financial Risk Management

Fair value of financial assets and liabilities

The fair value of the Company's cash and cash equivalents, other receivables, HST recoverable and accounts payable and accrued liabilities approximate their carrying value which is the amount recorded on the consolidated statement of financial position due to their short term to maturity.

Overview

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

This note 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 loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, other receivables and HST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, other receivables and HST recoverable is remote as they relate to deposits and interest from a major financial institution and HST recoverable from the Government of Canada. The maximum credit risk as at June 30, 2013 was \$376,407 (December 31, 2012 - \$276,339).

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 or will be able to obtain financing as required to meet its obligations and commitments (see Note 1).

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6. Financial Risk Management - Continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and commodity 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.

Foreign 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 June 30, 2013, however, future payments associated with the acquisition of the Isortoq Property will be denominated in U.S. dollars.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns and benefits for shareholders and advance the exploration of its mineral properties.

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company depends on external financing to fund its activities and may issue new equity instruments to maintain its capital structure. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

There were no changes in the Company's approach to capital management during the six month period ended June 30, 2013.

The Company is not subject to any externally imposed capital requirements.

7. Related Party Transactions

Key management personnel compensation

Key management personnel consist 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 six month period ended June 30, 2013 was \$375,604 (2012 - \$379,946) and was comprised of the following:

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7. Related Party Transactions - Continued

	Six month period ended June 30, 2013	Six month period ended June 30, 2012
Wages, salaries and consulting fees	\$ 110,523	\$ 188,452
Share-based compensation	260,280	184,858
Non-cash benefits	4,801	6,636
	\$ 375,604	\$ 379,946

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

During the six month period ended June 30, 2013, the Company reimbursed \$75,470 of office expenses and salaries incurred by a company controlled by directors of the Company (2012 - \$70,476).

During the six month period ended June 30, 2013, the Company reimbursed companies with common directors and key management \$22,941 for salaries, consulting, rent, utilities, office costs and property and equipment incurred on behalf of the Company (2012 - \$70,869).

The balance receivable from related parties at June 30, 2013 was \$11,038 (December 31, 2012 - \$nil)

The balance payable to related parties at June 30, 2013 was \$nil (December 31, 2012 - \$6,727) and is included in accounts payable and accrued liabilities. These 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.

8. 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.

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8. Segmented Information - Continued

As at June 30, 2013 and for the three month period ending June 30, 2013

	Canada	Greenland	Total
Current assets	\$ 386,267	\$ -	\$ 386,267
Equipment	42,860	-	42,860
Exploration and evaluation assets	2,950,183	2,509,331	5,459,514
Total Assets	\$ 3,379,310	\$ 2,509,331	\$ 5,888,641
Total Liabilities	\$ 32,977	\$ 980	\$ 33,957
Other expenses	237,762	-	237,762
Net Loss	\$ 237,762	\$ -	\$ 237,762

As at December 31, 2012

	Canada	Greenland	Total
Current assets	\$ 333,290	\$ -	\$ 333,290
Equipment	48,905	-	48,905
Exploration and evaluation assets	2,922,165	2,451,222	5,373,387
Total Assets	\$ 3,304,360	\$ 2,451,222	\$ 5,755,582
Total Liabilities	\$ 65,600	\$ 10,438	\$ 76,038