

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

Containing information up to and including April 17, 2014.

The following Management Discussion and Analysis (“MD&A”) should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2013 and 2012 together with the notes thereto, which can be found along with other information of the Company on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts presented in this MD&A and in the audited consolidated financial statements are expressed in Canadian Dollars.

**Forward Looking Statements**

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

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

**Overview**

West Melville is an exploration stage company involved in the acquisition and exploration of resource properties in North America and Greenland. The Company is exploring for iron ore in Nunavut, Canada and for an economic deposit of iron, titanium and vanadium in Greenland. The Company does not have any producing resource properties at this time. The Company is a reporting issuer in British Columbia, Alberta, and Ontario. The Company trades on the TSX Venture Exchange under the symbol WMM.

**Highlights**

***Exploration Update – Summary***

During the year ended December 31, 2013, the Company did not conduct any significant exploration program on any of its key properties. The Company incurred project evaluation expenses of \$89,477 to assess potential new projects. The Company, after its review, has determined not to pursue any of these potential new projects further; therefore, none of the expenses incurred have been capitalized.

On February 28, 2013 the Company announced the completion and filing of the National Instrument 43-101 Technical Report for the Isortoq project. The report describes an initial global Inferred Mineral Resource Estimate of 70.3 million tonnes grading 29.6% total iron (Fe), 10.9% titanium oxide (TiO<sub>2</sub>) and 0.144% vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) applying a 15% iron cutoff.

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

On May 14, 2013, the Company and Roche Bay plc ("Project Vendor") agreed to amend the Fraser Bay Option Agreement (the "Agreement") to extend the dates by which the first and second options must be exercised from September 30, 2013 to December 1, 2014 for the first option and from December 31, 2015 to April 15, 2017 for the second option. In consideration for granting the extensions, the Company issued 200,000 common shares to the Project Vendor on February 14, 2014.

On May 28, 2013, the Company closed on a non-brokered private placement financing 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. All securities issued in the private placement were subject to a four month hold period. In connection with this private placement the Company paid the following finders' fees: \$23,250 cash commission and 345,000 finder's warrants with the same terms as the warrants issued under the private placement.

On June 28, 2013, the Company and Hunter Minerals Pty Ltd ("Project Vendor") agreed to amend the Isortoq Purchase Agreement (the "Isortoq Agreement") to change the "Completion Date" from July 31, 2013 to September 30, 2013. The Completion Date is the date on which the Company will secure 100% ownership of the Isortoq Property by paying the Project Vendor the amount that is equal to US\$2,500,000 less the amounts paid up to and including December 31, 2012 (US\$1,073,875) and issuing to the Project Vendor that number of share purchase warrants 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 the Completion Date.

On September 20, 2013, the Company and Hunter Minerals Pty Ltd ("Project Vendor") agreed to amend the Isortoq Agreement to change the "Completion Date" from September 30, 2013 to November 15, 2013.

On November 15, 2013, the Company and Hunter Minerals Pty Ltd executed an amending deed to the Isortoq Purchase Agreement whereupon signing; HMP agreed to transfer the Isortoq Project Licenses to West Melville. The Project Vendor is proceeding with an application to the Bureau of Minerals and Petroleum of Greenland to transfer title for the exploration licenses that comprise the Isortoq Project over to West Melville.

Due to the ongoing challenging markets, the Company is continuing to minimize operating expenses to conserve capital. The Company is seeking financing opportunities to further exploration activities when market conditions improve.

On December 18, 2013, the Company signed an option agreement with Quirina Vasquez Vargas (the "Vendor") that secures an exclusive option for West Melville to acquire 100% ownership of the Alex Copper Property in Sonora, Mexico. Under the terms of the agreement, West Melville has until May 31, 2014 to conduct due diligence following which it can secure a 100% interest in the property by paying US\$25,000 and issuing 250,000 common shares in the capital stock of the Company to the Vendor. The Vendor will retain a 2% Gross Royalty on the Alex Copper Property, subject to West Melville's right to purchase 1% of the Royalty at anytime for US\$1 million.

***Subsequent to the year ended December 31, 2013***

On February 14, 2014, the Company has elected to exercise its right under the amendment to the Fraser Bay Option Agreement between West Melville and Roche Bay plc executed on May 10, 2013 (the "Amendment") by issuing 200,000 common shares to Roche Bay Plc (see News Release WMM13-05, May 14, 2013).

**Results of Operations**

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

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

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

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

## Financial Summary for the Year Ended December 31, 2013

The Company is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. The Company capitalizes all acquisition and exploration costs on which the Company has acquired mineral rights until the property to which those costs are related is placed into production, sold, or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized exploration and evaluation assets will vary in a fiscal period from one year to the next and typically cannot be predicted in advance. During the year ended December 31, 2013, a total of \$113,376 of exploration and evaluation expenditures were capitalized. Capitalized exploration and evaluation assets increased from \$5,373,387 as at December 31, 2012 to \$5,486,763 as at December 31, 2013. Details of the cost break-down are contained in note 4 of the consolidated financial statements.

The Company's net loss for the year ended December 31, 2013 totalled \$979,787 or \$0.02 per share. Total assets decreased from \$5,755,582 at December 31, 2012 to \$5,726,890 at December 31, 2013. The Company's cash and cash equivalents increased from \$89,668 at December 31, 2012 to \$185,733 at December 31, 2013.

### Year Ended December 31, 2013

The net loss for the year ended December 31, 2013 was \$979,787 as compared to \$4,291,659 in the preceding year.

Operating expenses for the year ended December 31, 2013 totalled \$981,218 (2012 - \$4,449,502).

Overall operating expenditures are down compared to the previous year as current market conditions and the Company's current financial position has required management to reduce expenses until market circumstances improve. Loss for the year is also lower in 2013 as exploration and evaluation expenditures associated with the Isortoq Project have been capitalized since August 2012 and were expensed prior to this date.

Significant operating expenditures are as follows:

	Note	Year Ended December 31		Increase (decrease)	
		2013	2012	\$	%
Advertising and promotion	1	22,253	117,258	(95,005)	(81)
Consulting	2	41,643	121,901	(80,258)	(66)
Corporate listing and filing fees	3	17,282	70,757	(53,475)	(76)
Depreciation		12,090	13,658	(1,568)	(11)
Office and administration	4	29,195	72,182	(42,987)	(60)
Personnel	5	164,880	510,992	(346,112)	(68)
Project evaluation	6	89,477	2,249,765	(2,160,288)	(96)
Professional fees	7	60,663	281,884	(221,221)	(78)
Rent	8	22,530	43,195	(20,665)	(48)
Stock-based compensation	9	500,086	876,881	(376,795)	(43)
Travel and conferences	10	21,119	91,029	(69,910)	(77)
		<b>(981,218)</b>	<b>(4,449,502)</b>	<b>(3,468,224)</b>	<b>(78)</b>
Other Income (expenses)					
Interest income	11	2,054	11,503	(9,449)	(82)
Interest expense		(623)	(644)	21	3
Amortization of flow-through share premium liability	12	-	146,984	(146,984)	(100)
Loss for the period		<b>(979,787)</b>	<b>(4,291,659)</b>		

Notes:

1. Advertising and promotion expenses relate to promotional work for the Company and were higher in the prior year due to initial public company costs. Based on current market conditions, the Company has actively reduced promotional and advertising expenditures.
2. Prior year consulting fees include fees for investor relations and business development; however, due to current market conditions, the Company has reduced expenditures.
3. Corporate listing and filing fees relate to costs incurred for the Company's private placements and share issuances and were higher in the prior year due to initial public company costs.
4. Office and administration expenses have decreased as a result of curtailing of expenditures due to the Company's current market conditions.
5. Personnel expenses have decreased as the Company is focusing on cost saving measures.
6. Prior year project evaluation expenses relate to expenditures on the Company's Isortoq Property for drilling, camp setup and other geology and geophysical work that occurred prior to the Company receiving its exclusive interim licence (August 2012) under the terms of the Company's agreement to acquire the Isortoq property. Expenditures for the Isortoq Property are now capitalized. Expenditures incurred in the current period relate to evaluation of new potential projects. The Company, after its review and evaluation determined not to pursue these new projects further; therefore, the costs have been expensed in the period.
7. Professional fees in the prior year relate to legal, audit and tax fees related to the setup of the Company, the listing of shares and other public company costs; however, due to the current economic conditions, expenditures have been reduced.
8. Rent decreased during the year compared to prior year due to reduced office space as of April 1, 2013.
9. Stock-based compensation expense relates to stock options granted during 2012 with the expense being recognized over the vesting period of the options.
10. Travel and conference expenses relate to attendance at conferences and trips to promote and raise funds for the Company. Travel and conference expenses decreased as a result of curtailing of expenditures based on current finances.
11. Interest income decreased as a result of lower cash balances during the period compared to the prior year.
12. Amortization of flow-through premium liability is due to the Company incurring eligible expenditures with funds raised in flow-through share issuances. The premium paid for the flow-through shares is recognized as other income once expenditures are incurred and are to be renounced. There were no such flow-through funds this period.

Three Month Period Ended December 31, 2013

The net loss for the three month period ended December 31, 2013 was \$103,290 as compared to \$464,930 in the same period in the preceding year.

Operating expenses for the three month period ended December 31, 2013 totalled \$103,878 (2012 - \$483,066).

Overall operating expenditures are down compared to the previous year as current market conditions and the Company's current financial position has required management to reduce expenses until market circumstances improve.

Significant operating expenditures are as follows:

	Note	Three Month Periods Ended December 31		Increase (decrease)	
		2013	2012	\$	%
Advertising and promotion	1	1,850	5,207	(3,357)	(64)
Consulting	2	-	33,813	(33,813)	(100)
Corporate listing and filing fees	3	898	6,811	(5,913)	(87)
Depreciation		3,023	3,886	(863)	(22)
Office and administration	4	3,930	18,881	(14,951)	(79)
Personnel	5	14,586	140,846	(126,260)	(90)
Project evaluation	6	38,019	(96,789)	134,808	139
Professional fees	7	-	6,803	(6,803)	(100)
Rent	8	1,873	15,055	(13,182)	(88)
Stock based compensation	9	38,683	324,685	(286,002)	(88)
Travel and conferences	10	1,016	23,868	(22,852)	(96)
		<b>(103,878)</b>	<b>(483,066)</b>	<b>(379,188)</b>	<b>(78)</b>
Other Income (expenses)					
Interest income	11	590	1,633	(1,043)	(64)
Interest expense		(2)	(365)	(361)	(99)
Amortization of flow-through share premium liability	12	-	16,868	(16,868)	(100)
Loss for the period		<b>(103,290)</b>	<b>(464,930)</b>		

Notes:

1. Advertising and promotion expenses relate to promotional work for the Company and were higher in the prior year due to initial public company costs. Based on current market conditions, the Company has actively reduced promotional and advertising expenditures.
2. Consulting fees in the prior year relate to investor relations consultants. Consulting fees have decreased as the Company is focusing on cost saving measures.
3. Corporate listing and filing fees relate to costs incurred for the Company's private placements and share issuances and were higher in the prior year due to initial public company costs.
4. Office and administration expenses have decreased as a result of curtailing of expenditures due to the Company's current market conditions.
5. Personnel expenses have decreased as the Company is focusing on cost saving measures.
6. Expenditures incurred in the current period relate to evaluation of new potential projects. The Company, after its review and evaluation will not pursue these projects further; therefore, the costs have been expensed in the period. In the comparative period, certain costs incurred after obtaining the interim license associated with the Isortoq Property which previously had been expensed were capitalized to exploration and evaluation assets.
7. Professional fees in the current year relate to legal, audit and tax fees for fiscal year 2013.
8. Rent decreased during the year compared to prior year due to reduced office space as of April 1, 2013.
9. Stock-based compensation expense relates to stock options granted during 2012 with the expense being recognized over the vesting period of the options.
10. Travel and conference expenses relate to attendance at conferences and trips to promote and raise funds for the Company.
11. Interest income decreased as a result of lower cash balances during the period compared to the prior year.
12. Amortization of flow-through premium liability is due to the Company incurring eligible expenditures with funds raised in flow-through share issuances. The premium paid for the flow-through shares is recognized as other income once expenditures are incurred and are to be renounced. There were no such flow-through funds this period.

## Selected Annual Financial Information

The following table summarizes selected financial data reported by the Company for the years ended December 31, 2013, 2012 and 2011. The information set forth should be read in conjunction with the consolidated audited financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and the related notes thereon.

	Dec 2013	Dec 2012	Dec 2011
Current assets	\$ 203,312	\$ 333,290	\$ 1,180,882
Exploration and evaluation assets	5,486,763	5,373,387	880,086
Equipment	36,815	48,905	54,519
Total assets	5,726,890	5,755,582	2,115,487
Current liabilities	27,797	76,038	295,227
Share Capital	9,514,182	9,028,720	2,270,641
Net loss	(979,787)	(4,291,659)	(540,381)
Deficit	(5,811,827)	(4,832,040)	(540,381)
Basic loss per share	\$ (0.02)	\$ (0.16)	\$ (0.10)
Weighted avg. shares	42,072,221	27,549,133	5,267,558

## Summary of Quarterly Results

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

The following table summarizes selected financial data reported by the Company for the quarter ended December 31, 2013 and the previous seven quarters.

	Dec 31 13	Sept 30 13	June 30 13	Mar 31 13	Dec 31 12	Sept 30 12	June 30 12	Mar 31 12
Current assets	\$203,312	\$311,644	\$386,267	\$65,979	\$ 333,290	\$ 1,856,555	\$ 361,295	\$ 1,280,615
Exploration and evaluation assets	5,486,763	5,477,196	5,459,514	5,444,313	5,373,387	4,144,313	939,386	919,029
Total assets	5,726,890	5,828,678	5,888,641	5,556,175	5,755,582	6,051,428	1,354,519	2,256,760
Current liabilities	27,797	64,978	33,957	109,900	76,038	867,010	1,885,117	399,754
Share capital	9,514,182	9,514,182	9,514,182	9,028,720	9,028,720	8,393,349	2,993,121	3,000,641
Net loss	(103,290)	(130,598)	(237,762)	(508,137)	(464,930)	(582,040)	(2,554,962)	(689,727)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.12)	\$ (0.03)
Weighted avg. shares	46,280,851	46,280,851	39,735,247	35,830,851	35,304,062	31,106,060	22,103,800	21,558,305

## Liquidity and Capital Resources

### Year Ended December 31, 2013

Cash and cash equivalents increased by \$96,065 during the year ended December 31, 2013 from \$89,668 at December 31, 2012 to \$185,733 at December 31, 2013.

Cash utilized in operating activities during the year ended December 31, 2013 was \$290,331 (2012 - \$3,932,714).

Cash utilized in investing activities during the year ended December 31, 2013 totalled \$112,854 (2012 - \$2,981,808). The investing activities were as follows: utilization of \$112,854 for exploration and evaluation expenditures (2012 - \$2,973,764) and \$nil utilized for the purchase of equipment (2012 - \$8,044).

At December 31, 2013, the Company's investment in exploration and evaluation assets aggregated \$5,486,763 (December 31, 2012 - \$5,373,387), and equipment, net of amortization, was \$36,815 (December 31, 2012 - \$48,905).

At December 31, 2013, share capital of \$9,514,182 comprised of 46,280,851 issued and outstanding common shares (December 31, 2012 - \$9,028,720 comprising 35,830,851 shares outstanding). Contributed surplus, which arises from the recognition of the estimated fair value of stock options and the issuance of common share purchase warrants, was \$1,996,738 (December 31, 2012 - \$1,482,864). As a result of the net loss for the year ended December 31, 2013 of \$979,787 (year ended December 31, 2012 - \$4,291,659), the deficit at December 31, 2013 increased to \$5,811,827 from \$4,832,040 at December 31, 2012. Accordingly, shareholders' equity was \$5,699,093 as compared to \$5,679,544 at December 31, 2012.

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

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company intends to raise money through the sale of equity instruments and may consider the optioning of its mineral property interests. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.



## Exploration Update

### *Fraser Bay Project, Nunavut, Canada*

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 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 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 common 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.

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 issued 200,000 common shares to Roche Bay on February 14, 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, 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 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.

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 (the "CSPC Royalty") from 1979.

Neither the Crown Royalty nor 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 further royalty payments.

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. 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.

The Fraser Bay property is located on the west side of the Melville Peninsula, 180 kilometres southwest of the community of Hall Beach in Nunavut, Canada. It consists of a single mineral lease covering 3,228 acres that is favourably located 12 kilometres from tidewater at Committee Bay and 120 kilometres from a proposed deep water port at Roche Bay. The property lies within 16 kilometres of the CAM 5 airstrip at Mackar Inlet (a former defence early warning site) and an all-season road from the airstrip terminates less than 10 kilometres from the property boundary. This infrastructure provides a significant logistical benefit to the project.

The Banded Iron Formation at Fraser Bay can be traced over an exposed strike length of 5.5 kilometres, dips vertically to steeply west and has an apparent thickness ranging from 100 metres to more than 350 metres. Sampling to date has demonstrated the potential for DSO, which is

defined as high grade iron ore (typically >60% Fe) that can be mined and shipped directly to market without the need for on-site processing.

During the year ended December 31, 2012 the Company conducted a surface sampling campaign comprising 923 metres of saw-cut sampling over 24 surface exposures. Exposures ranged from 18 metres to 75 metres in length. In addition one horizontal continuous chip sampling line was completed on a vertical face spanning 88.5 metres. Individual sample intervals ranged in lengths up to 2.2 metres. All samples were bagged on site and returned to camp where they were secured with tamper proof safety seals. The samples were then batched and further transported to an accredited laboratory in Canada for analysis. Highlights from the program include results from channels NS5 and NS6, spaced 225 metres apart along strike, that returned DSO values (weighted average) of 65.3% Fe over 22.0 metres and 61.2% Fe over 44.1 metres respectively. These channels sampled coarse-grained, massive specular hematite and both terminated in overburden on either side of the channels. High grade intervals within channels NS5 and NS6 returned assays up to 70% Fe content which represents a composition of 100% massive hematite. Other channels along the entire 5.5 km strike length of the deposit returned numerous additional DSO intervals as well as composite channel grades ranging between 36.7% Fe and 54.4% Fe.

The Company was also successful in establishing a 25 person, all-season camp and infrastructure adjacent to the CAM-5 airstrip at Mackar Inlet.

No field work was conducted during the year ended December 31, 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 "Licenses"). 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, agreed to sell to the Company, and the Company 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 Greenland Agreement contains the following requirements:

- A. Within 10 business days of completion of the IPO:
  - i) The Company paid HMP the amount equal to 15% of the gross proceeds raised by the IPO being \$832,875;
  - ii) Issued 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. The Company issued 1,007,800 Units with 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) Executed and delivered the Royalty Agreement and the Restriction Agreement (both as defined below).

- B. On December 31, 2012, the Company paid US\$250,000 to HMP.
- C. On November 15, 2013 (amended from September 15, 2013), or such earlier day as the parties may agree:
- i) the Company must 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, and
  - 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 November 15, 2013 (amended from September 30, 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.

On November 15, 2013, in satisfaction of the terms in paragraph "C" above, the Company and HMP Ltd executed an amending deed to the Greenland Agreement whereupon signing, HMP agreed to transfer the Isortoq Project Licenses to West Melville. HMP is now proceeding with an application to the Bureau of Minerals and Petroleum of Greenland to transfer title for the exploration licenses that comprise the Isortoq Project over to West Melville. It was also agreed under the amending deed that the Company will pay to HMP US\$1.4 million on the following conditions:

- i) If on or before December 31, 2014, the Company sells some or all of the licenses, authorizations, and all samples, test work results, reports, and data owned by HMP and associated with the Licenses, in which case the payment (US\$1.4 million) will be made on the date the interest in the Greenland Assets are sold, or
- ii) If on December 31, 2014, the Company retains ownership and continues business operations with respect to the Licenses, in which case the payment will be made on December 31, 2014.

Furthermore, in consideration of any payment (US\$1.4 million) made according to the amending deed, HMP agrees to terminate the Royalty Agreement upon the date payments are made.

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 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 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 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 1,007,800 Units issued in 2012 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 19, 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.

Previous work was conducted by the original vendors from 2004 to 2010 in exploration programs totaling approximately US\$3.0 million dollars. Work included multi-stage heli-borne and ground geophysical surveying including Max-Min and magnetic surveying followed by a high resolution heli-borne electro-magnetic and magnetic survey.

Historically, nine diamond drill holes have been completed ranging in depth from 134.0 to 365.3 metres totaling 1862.0 metres. Five holes were drilled on two sections at Isortoq South and four holes were drilled on three sections at Isortoq North. These holes defined a vertical extent of the Fe-Ti-V mineralization to greater than 235.0 metres, with an approximate average width of 145.0 metres with a grade ranging from 20-49% FeO (15.6–38.1% Fe), 6-11% TiO<sub>2</sub> and 0.10-0.19% V<sub>2</sub>O<sub>5</sub>.

In late April 2012, 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. Offloading and project support utilized an A-Star B3 helicopter for the duration of operations. Crews were transported from the international airport at Narsarsuaq to the project site via helicopter.

An initial, high resolution, ground magnetic survey was conducted over the area of historic drilling. These data were utilized to establish the drill pattern for the 2012 campaign. Magnetic surveys were expanded along the strike of the mineralized structure in both the northeast and southwest direction. Surveying continued concurrent to the drilling and was terminated after demobilization of the drilling equipment in late May. Surveying in the northeast direction resolved the mineralized body into at least two parallel features. A total of 134 line kilometres of ground magnetic data was collected at line spacings of either 50 or 100 metres.

Core drilling at the Isortoq Property commenced May 1<sup>st</sup> with the commissioning of two drill rigs capable of drilling core. Drill hole pattern was established utilizing interpretations from the recently completed ground magnetic survey and historic drilling. A combination of vertical and angled holes at fences of approximately 100 metres comprised the bulk of the program. A total of 11 holes were completed during the month for a cumulative 2,684 metres. Significant intercepts of troctolite were recovered from each hole up to depths of 344 metres. In this section of the mineralized feature, the troctolite has been well defined geologically via drilling over a strike length of 1 kilometre.

The core was processed on site in a secure facility and all troctolite cut with half sampled and half archived. Samples were then shipped via sea in a secure container to Halifax for onward transportation by road to an accredited laboratory in Ontario.

The program was successful in demonstrating consistency of the mineralized body as well as returning significant grades including 180 metres of 42.8% FeO (33.3% Fe); 12.4% TiO<sub>2</sub>; 0.17% V<sub>2</sub>O<sub>5</sub>.

### ISORTOQ ASSAY RESULTS

DDH		From (m)	To (m)	Interval (m)	FeO (%)	TiO <sub>2</sub> (%)	V <sub>2</sub> O <sub>5</sub> (%)
12DTQ001	Vertical	2.4	101.4	99.0*	41.9	12.2	0.15
	Includes			65.0	44.0	12.8	0.16
12DTQ002	Vertical	5.5	95.4	89.9*	41.3	11.9	0.16
	Includes			40.0	44.0	12.6	0.18
12DTQ003	Angled	30.5	194.5	164.0*	41.2	12.0	0.16
	Includes			94.0	44.1	13.0	0.18
12DTQ004	Angled	56.0	236.0	180.0*	42.8	12.4	0.17
	Includes			108.0	45.0	13.1	0.19
12DTQ005	Angled	92.0	214.0	122.0*	42.2	12.3	0.16
	Includes			76.0	45.0	13.2	0.18
12DTQ006	Angled	191.0	308.0	117.0*	36.8	10.7	0.14
	Includes			40.0	41.6	12.1	0.16
12DTQ007	Angled	62.0	216.0	154.0*	41.8	11.9	0.16
	Includes			74.0	45.0	13.1	0.18
12DTQ008	Angled	56.0	212.0	156.0*	42.0	12.2	0.17
	Includes			102.0	44.0	12.9	0.18
	Includes			66.0	45.0	13.2	0.18
12DTQ009	Angled	50.0	194.0	144.0*	42.1	12.2	0.17
	Includes			86.0	45.0	13.2	0.19
12DTQ010	Vertical	3.0	218.0	215.0*	40.4	11.6	0.15
	Includes			120.0	45.0	13.1	0.18
12DTQ011	Vertical	42.0	170.0	128.0	45.0	12.8	0.17
	Includes			80.0	47.0	13.5	0.19

\* Weighted average interval based on 30% FeO cut-off

On February 28, 2013 the Company announced the completion and filing of the National Instrument 43-101 Technical Report for the Isortoq project. The report describes an initial global Inferred Mineral Resource Estimate of 70.3 million tonnes grading 29.6% total iron (Fe), 10.9% titanium oxide (TiO<sub>2</sub>) and 0.144% vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) applying a 15% iron cutoff.

No field work was conducted at Isortoq during the year ended December 31, 2013, and the project area was reduced by 109 square kilometers by dropping exploration license EL#2012-35.

## Risks and Uncertainties

### *Exploration Stage Company*

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

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

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

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

Mining operations generally involve a high degree of risk. West Melville's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flowing and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, and periodic interruptions due to adverse weather conditions, labour disputes, and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. West Melville does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

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

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

### ***Government Regulation***

The current or future operations of West Melville, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various foreign federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that West Melville will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance



with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which West Melville may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to West Melville's planned exploration and operations, the extent of which cannot be predicted.

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

### ***Competition***

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

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

West Melville has taken precautions to ensure that legal title to its property interests are properly recorded. There can be no assurance that West Melville will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of West Melville's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that West Melville may lose all or part of its interest in the properties to which such defects relate.

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

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

### ***Commodity Prices***

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

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

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

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

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for West Melville's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

### ***Key Executives***

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

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

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

### **Dividends**

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

### **Nature of the Securities**

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

### **Proposed Transactions**

There are no proposed transactions that should be disclosed.

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

Additional disclosure concerning West Melville's general and administrative expenses and exploration and evaluation assets is provided in the Company's Consolidated Statement of Comprehensive Loss and note 4 in its consolidated financial statements for the year ending December 31, 2013 that is available on West Melville's website at [www.westmelville.com](http://www.westmelville.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

### **Outstanding Share Data**

West Melville's authorized capital is unlimited common shares without par value. As at April 17, 2014, the following common shares, options and share purchase warrants were outstanding:

	<b># of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Issued and Outstanding Common Shares	46,480,851		
Employee Stock Options	2,940,000	\$ 0.50	February 23, 2022
Share Purchase Warrants	649,363	\$ 0.50	July 19, 2014
	10,795,000	\$ 0.20	May 28, 2015
	1,007,800	\$ 0.50	August 3, 2017
Fully Diluted at April 17, 2014	<b>61,873,014</b>		

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

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

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

period, in which event 10% of the escrowed securities will be released on the IPO date, with 15% released each six months thereafter. As of December 31, 2013, 11,361,600 common shares remained in escrow in accordance with this agreement. To date the Board of Directors has not waived the two year escrow restriction period.

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. As of December 31, 2013, 1,647,000 common shares remain subject to resale restrictions.

### Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

### Contractual Obligations for the Next Five Years

The Company has no contractual obligations over the next five years. The Company has cash and equity securities payments to make minimum cash expenditure commitments to meet with respect to acquiring the maximum possible ownership interests in our mineral properties, but all such payments and expenditures are optional. Failure to make the required expenditures and payments under the terms of the Fraser Bay option agreement and Greenland acquisition agreement may result in a loss of the Company's acquisition rights. The Company has no office lease or material equipment lease obligations.

### Transactions with Related Parties

#### *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 year ended December 31, 2013 was \$521,495 (2012 - \$1,000,782) and was comprised of the following:

	Year ended December 31, 2013	Year ended December 31, 2012
Wages, salaries and consulting fees	\$ 213,880	\$ 386,533
Share-based compensation	298,661	601,796
Non-cash benefits	8,944	12,453
	<b>\$ 521,485</b>	<b>\$ 1,000,782</b>

During the year ended December 31, 2013, the Company reimbursed \$80,975 of office expenses and salaries incurred by a company controlled by directors of the Company (2012 - \$181,023).

During the year ended December 31, 2013, the Company reimbursed companies with common directors and key management \$18,381 for salaries, consulting, rent, utilities, office costs and property and equipment incurred on behalf of the Company (2012 - \$134,799).

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

The balance payable to related parties at December 31, 2013 was \$12,188 (December 31, 2012 -

\$6,727) 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.

## **Recent Developments and Outlook**

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

The Company's business objectives are to secure financing or to locate a strategic partner that will assist the Company in advancing its current properties which include the Isortoq and Fraser Bay Project, fund its general and administrative expenses for the ensuing year, and fund its working capital requirements.

## **Financial Instruments and Other Instruments**

### ***Overview***

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

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

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

### ***Credit risk***

Credit risk is the risk of 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 GST/HST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, other receivables and GST/HST recoverable is remote as they relate to deposits and interest from a major financial institution and GST/HST recoverable from the Government of Canada. The maximum credit risk as at December 31, 2013 was \$200,744 (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. Also see note 1 of the Company's financial statements for the year ended December 31, 2013.

### ***Market risk***

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

### ***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 December 31, 2013, however, future payments associated with the acquisition of the Isortoq Property will be denominated in U.S. dollars.

## **Critical Accounting Estimates**

The Company's accounting policies are presented in note 2 of the December 31, 2013 consolidated annual financial statements. The preparation of financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. Significant estimates include:

- the carrying values of exploration and evaluation assets;
- the valuation of stock-based compensation expense; and
- the assessment of the Company's ability to continue as a going concern (see "Liquidity and Capital Resources").

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

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

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

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

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

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

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

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

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except potentially IFRS 9 Financial Instruments.

IFRS 9, Financial Instruments (2009, 2010 and 2013) will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, provides guidance on the classification and measurement of financial liabilities and provides a new general hedge accounting standard.

The mandatory effective date is not yet determined, however early adoption of the new standard is permitted. The Company does not intend to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2014. While the Company does not expect IFRS 9 to have a material impact on the consolidated financial statements a further assessment will be required based on the Company's financial instruments at the time of adoption.

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

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

### **Approval**

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

## Additional Information

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

West Melville Metals Inc.  
Suite 1020 - 800 West Pender Street  
Vancouver, BC CANADA  
V6C 2V6  
Tel: (604) 646-4527  
Fax: (604) 646-4526  
[www.westmelville.com](http://www.westmelville.com)  
Email: [rmoore@westmelville.com](mailto:rmoore@westmelville.com)  
Attention: Rory Moore, Chief Executive Officer

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

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