

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

Containing information up to and including August 21, 2014.

The following interim Management Discussion and Analysis (“MD&A”) should be read in conjunction with the Company’s condensed consolidated interim financial statements for the three and six month periods ended June 30, 2014 together with the notes thereto, which can be found along with other information of the Company on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts presented in this MD&A and in the condensed consolidated interim financial statements are expressed in Canadian Dollars.

**Forward Looking Statements**

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

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

**Overview**

West Melville is 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 six month period ended June 30, 2014, the Company did not conduct any significant exploration program on any of its key properties. The Company incurred project evaluation expenses of \$63,778 to assess potential new projects. As the Company has not yet acquired the

legal rights to explore any of these potential new projects, project evaluation costs have been expensed as incurred.

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

On February 14, 2014, the Company 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).

During the six month period ended June 30, 2014, 125,000 options were cancelled/expired without exercise.

### **Subsequent Events**

On July 31, 2014, the Company announced the closure of the first tranche of the non-brokered private placement, previously announced on June 27, 2014 for up to 7,000,000 units at a price of \$0.05 per unit for gross proceeds of \$350,000, by issuing 4,880,000 units for gross proceeds of \$244,000. Each unit will consist of one common share and one common share purchase warrant. Each common share purchase warrant may be exercisable into one common share for a period of three years from closing at a price of \$0.15 per share.

Share issuance costs included the following finders' fees: 124,600 shares and 124,600 finders' warrants with a fair value of \$2,987. Each finder's warrant is exercisable under the same terms as the warrants issued under the private placement.

### **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 three and six month periods ended June 30, 2014**

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 six month period ended June 30, 2014, a total of \$69,592 (2013 - \$86,127) of exploration and evaluation assets were capitalized. Capitalized exploration and evaluation assets increased from \$5,486,763 as at December 31, 2013 to \$5,556,355 as at June 30, 2014. Details of the cost break-down are contained in note 4 of the condensed consolidated interim financial statements.

The Company's net loss for the six month period ended June 30, 2014 totalled \$186,091 or \$0.00 per share (2013 - \$745,899 or \$0.02 per share). Total assets decreased from \$5,726,890 as at December 31, 2013 to \$5,618,569 as at June 30, 2014. The Company's cash and cash equivalents decreased from \$185,733 as at December 31, 2013 to \$8,848 as at June 30, 2014.

Six month period ended June 30, 2014

The net loss for the six month period ended June 30, 2014 was \$186,091 as compared to \$745,899 in the same period in the preceding year.

Operating expenses for the six month period ended June 30, 2014 totalled \$186,295 (2013 - \$745,901). Significant operating expenditures are as follows:

	Note	Six month period ended June 30		Increase (decrease)	
		2014	2013	\$	%
Advertising and promotion	1	<b>6,953</b>	18,410	(11,457)	(62)
Consulting	2	-	41,643	(41,643)	(100)
Corporate listing and filing fees		<b>11,488</b>	10,374	1,114	11
Depreciation		<b>5,447</b>	6,045	(598)	(10)
Office and administration	3	<b>6,270</b>	22,086	(15,816)	(72)
Personnel	4	<b>44,779</b>	131,903	(87,124)	(66)
Project evaluation	5	<b>63,778</b>	-	63,778	100
Professional fees	6	<b>37,147</b>	54,763	(17,616)	(32)
Rent	7	<b>4,059</b>	18,785	(14,726)	(78)
Stock-based compensation	8	-	421,789	(421,789)	(100)
Travel and conferences	9	<b>6,374</b>	20,103	(13,729)	(68)
		<b>(186,295)</b>	(745,901)	559,606	75
Other Income (expenses)					
Interest income		<b>484</b>	614	(130)	(21)
Interest expense		<b>(280)</b>	-	(280)	(100)
Part 12.6 tax		-	(612)	612	100
Loss for the period		<b>(186,091)</b>	(745,899)	559,808	75

Notes:

1. Due to current market conditions, the company has actively reduced promotional and advertising expenditures.
2. Consulting fees include fees for investor relations and business development. Based on current finances, the company has actively reduced promotional and advertising expenditures.
3. Office and administration expenses have decreased in the period as a result of curtailing of expenditures due to the Company's current finances.
4. Personnel expenses have decreased as the company is focusing on cost saving measures.
5. Expenditures incurred in the current period related 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.
6. Due to current market conditions and less activity, the company has reduced legal and accounting expenditures.

7. Rent decreased in this period compared to the prior year due to a change in the rent allocation from Aurora Mineral Resource Group.
8. No stock options were granted during the six month period.
9. Due to current market conditions, the company has actively reduced travel and conference expenditures.

Three month period ended June 30, 2014

The net loss for the three month period ended June 30, 2014 was \$85,826 as compared to \$237,762 in the same period in the preceding year.

Operating expenses for the three month period ended June 30, 2014 totalled \$86,310 (2013 - \$238,128).

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 period ended June 30		Increase (decrease)	
		2014	2013	\$	%
Advertising and promotion	1	2,977	4,178	(1,201)	(29)
Consulting	2	-	15,743	(15,743)	(100)
Corporate listing and filing fees	3	3,673	8,284	(4,611)	(56)
Depreciation		2,723	3,023	(300)	(10)
Office and administration	4	2,713	5,212	(2,499)	(48)
Personnel	5	19,979	34,632	(14,653)	(42)
Project evaluation	6	40,039	-	40,039	100
Professional fees	7	10,597	16,896	(6,299)	(37)
Rent		2,121	1,875	246	13
Stock-based compensation	8	-	146,921	(146,921)	(100)
Travel and conferences		1,488	1,364	124	9
		<b>(86,310)</b>	<b>(238,128)</b>	<b>151,818</b>	<b>64</b>
Other Income (expenses)					
Interest income		484	366	118	32
Loss for the period		<b>(85,826)</b>	<b>(237,762)</b>	<b>151,936</b>	<b>64</b>

Notes:

1. Due to current market conditions, the company has actively reduced promotional and advertising expenditures.
2. Consulting fees include fees for investor relations and business development. Based on current finances, the company has actively reduced promotional and advertising expenditures.
3. Corporate listing and filing fees were higher in the prior year due to a private placement which was completed. No financing was completed during the current quarter.
4. Office and administration expenses 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.
7. Due to current market conditions and less activity, the company has reduced legal and accounting expenditures.
8. No stock options were granted during the quarter.

## 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 June 30, 2014 and the previous seven quarters.

	June 30 14	Mar 31 14	Dec 31 13	Sept 30 13	June 30 13	Mar 31 13	Dec 31 12	Sept 30 12
Current assets	\$30,846	\$124,063	\$203,312	\$311,644	\$386,267	\$65,979	\$ 333,290	\$ 1,856,555
Exploration and evaluation assets	5,556,355	5,523,268	5,486,763	5,477,196	5,459,514	5,444,313	5,373,387	4,144,313
Total assets	5,618,569	5,681,422	5,726,890	5,828,678	5,888,641	5,556,175	5,755,582	6,051,428
Current liabilities	83,567	60,594	27,797	64,978	33,957	109,900	76,038	867,010
Share capital	9,536,182	9,536,182	9,514,182	9,514,182	9,514,182	9,028,720	9,028,720	8,393,349
Net loss	(85,826)	(100,265)	(103,290)	(130,598)	(237,762)	(508,137)	(464,930)	(582,040)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted avg. shares	46,480,851	46,380,851	46,280,851	46,280,851	39,735,247	35,830,851	35,304,062	31,106,060

## Liquidity and Capital Resources

### Six month period ended June 30, 2014

Cash and cash equivalents decreased by \$176,885 during the six month period ended June 30, 2014 from \$185,733 at December 31, 2013 to \$8,848 at June 30, 2014.

Cash utilized in operating activities during the six month period ended June 30, 2014 was \$130,479 (2013 - \$128,314).

Cash utilized in investing activities during the six month period ended June 30, 2014 totalled \$46,406 (2013 - \$104,453), which was all spent on exploration and evaluation expenditures.

At June 30, 2014, the Company's investment in exploration and evaluation assets aggregated \$5,556,355 (December 31, 2013 - \$5,486,763), and equipment, net of amortization, was \$31,368 (December 31, 2013 - \$36,815).

At June 30, 2014, share capital of \$9,536,182 comprised of 46,480,851 issued and outstanding common shares (December 31, 2013 - \$9,514,182 comprising 46,280,851 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, 2013 - \$1,996,738). As a result of the net loss for the six month period ended June 30, 2014 of \$186,091 (year ended December 31, 2013 - \$979,787), the deficit at June 30, 2014 increased to \$5,997,918 from \$5,811,827 at December 31, 2013. Accordingly, shareholders' equity was \$5,535,002 as compared to \$5,699,093 at December 31, 2013.

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 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.

- A. In order to acquire an initial undivided 30% interest in and to the Fraser Bay Project (the "First Option"), the Company completed certain requirements. The remaining requirements to complete the First Option include:
  - 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, 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; and
  - ii) Incur an aggregate of \$2,500,000 in exploration expenditures no later than December 1, 2014, which exploration expenditures shall include a minimum of 1,200 metres of drilling.
  
- 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.

No substantive work was conducted during the six month period ended June 30, 2014.

### ***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.

On June 20, 2014, the Company and HMP executed an amending deed to the Greenland Agreement whereupon signing, the USD \$1.4 million final payment due was cancelled. 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.

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 Licenses from January 1, 2012 until the earlier of the last day of the calendar year in which the Greenland Agreement is terminated, or the BMP registers the transfer of the Licenses.

The project area was reduced by 109 square kilometers by dropping license EL#2012-35 in 2013. No field work was conducted at Isortoq during the six month period ended June 30, 2014.

## **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 Condensed Consolidated Statement of Comprehensive Loss and note 4 in its condensed consolidated interim financial statements for the three and six month periods ending June 30, 2014 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 August 21, 2014, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	51,485,451		
Employee Stock Options	2,815,000	\$ 0.50	February 23, 2022
Share Purchase Warrants	10,795,000	\$ 0.20	May 28, 2015
	1,007,800	\$ 0.50	August 3, 2017
	5,004,600	\$ 0.15	July 29, 2017
Fully Diluted at August 21, 2014	<b>71,107,851</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. 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, 2014, 11,361,600 common shares remained in escrow. Subsequent to June 30, 2014, 7,953,120 common shares were released from escrow with 3,408,480 common shares remaining in escrow.

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 June 30, 2014, 1,160,250 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 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 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, 2014 was \$102,939 (2013 - \$375,604) and was comprised of the following:

	<b>Six month period ended June 30, 2014</b>		Six month period ended June 30, 2013	
Wages, salaries and consulting fees	\$	<b>99,660</b>	\$	110,523
Share-based compensation		-		260,280
Non-cash benefits		<b>3,279</b>		4,801
	<b>\$</b>	<b>102,939</b>	<b>\$</b>	<b>375,604</b>

During the six month period ended June 30, 2014, the Company reimbursed \$4,809 of office expenses incurred by a company controlled by directors of the Company (2013 - \$75,470).

During the six month period ended June 30, 2014, the Company reimbursed companies with common directors and key management \$18,357 for travel, consulting and office costs incurred on behalf of the Company (2013 - \$22,941).

The balance receivable from related parties at June 30, 2014 was \$11,038 (December 31, 2013 - \$11,038).

The balance payable to related parties at June 30, 2014 was \$41,955 (December 31, 2013 - \$12,188) 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.

## 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 using the available funds are to continue to advance the evaluation of the Isortoq Property and the 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 recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, other receivables and GST recoverable is remote as they relate to deposits and interest from a major financial institution and GST recoverable from the Government of Canada. The maximum credit risk as at June 30, 2014 was \$24,736 (December 31, 2013 - \$200,744).

### *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 notes 1 and 9 of the Company's financial statements for the three and six month periods ended June 30, 2014.

### *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, 2014.

### **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;
- the determination of valuation allowances for deferred income tax assets; and
- the assessment of the Company's ability to continue as a going concern.

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

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

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

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

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

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

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

### **Approval**

The Board of Directors of West Melville has approved the disclosure contained in this interim MD&A. A copy of this interim 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:

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Attention: Rory Moore, Chief Executive Officer

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

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