



Papuan Precious Metals Corp.

Management's Discussion and Analysis

For the Three Months Ended

September 30, 2014

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Overview

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Papuan Precious Metals Corp. ("the Company" or "PPM"), as prepared at November 25, 2014, should be read in conjunction with the condensed interim consolidated financial statements and related notes for the three months ended September 30, 2014. The reader should also refer to the audited consolidated financial statements and MD&A for the year ended June 30, 2014.

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All dollar amounts included in the following MD&A are expressed in Canadian dollars except where noted.

Additional information regarding the Company and its activities is available on SEDAR at www.sedar.com, and also on the Company's web site at www.pmpng.com, or by requesting further information from the Company's head office located in Kelowna, British Columbia, Canada.

Forward-Looking Statements

Statements in this report that are not historically based fact are forward looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably. Readers are cautioned not to place undue reliance on forward-looking statements.

Description of Business

PPM is a Canadian company incorporated under the Business Corporation Act of British Columbia. The Company was formed on September 28, 2010 with the amalgamation of Papuan Precious Metals Corp. ("Papuan") and Jalna Minerals Ltd. ("Jalna"). Trading under the symbol "PAU.V" on the TSX Venture Exchange commenced on October 1, 2010.

PPM is a mineral exploration company engaged in the acquisition, exploration and development of exploration and evaluation assets (mineral properties) in Papua New Guinea (PNG). The Company has a wholly owned subsidiary, Papuan Precious Metals Ltd., located in Port Moresby, PNG. The Company's primary objective is to locate, acquire and evaluate mineral properties and to finance their exploration and potential development by way of joint venture, equity financing, option agreements or by other means.

The Company's goal is to make world-class discoveries of copper, gold, nickel and platinum through its exploration programs. There are a number of inherent risks and uncertainties related to exploration and development, including, but not limited to: the ability to raise sufficient capital to fund further exploration and development; changes in economic conditions and/or financial markets; increases in input costs; litigation, legislation, environmental and/or other judicial, regulatory, political and competitive factors; technological or operational difficulties, inability to obtain access and/or permits; labour relations matters and economic issues that could materially affect precious metals exploration and mining.

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Liquidity and Capital Resources

PPM is an exploration and evaluation company and has yet to determine whether its properties contain mineral resources that are economically viable. The recoverability of the amounts shown for exploration and evaluation assets, including acquisition costs and related exploration and evaluation costs, are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The Company has no significant source of revenue and has certain cash requirements to maintain its mineral property interests and to meet its administrative overhead. Management has determined that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, the condensed interim consolidated financial statements for the period ended September 30, 2014 have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to secure equity, debt or joint venture financing and generate profitable future operations.

The accompanying consolidated financial statements for the three months ended September 30, 2014 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is actively pursuing joint venture partners and has minimized its exploration activities and over-all operations in an effort to conserve cash until global market conditions improve.

The Company had cash and cash equivalents of \$618,036 as at September 30, 2014 with a positive working capital balance of \$422,642. In the prior year, the Company had cash and cash equivalents of \$667,645 and a positive working capital balance of \$589,666.

The Company does not have significant concerns about the liquidity of its current assets as the cash equivalents are held in redeemable term deposits with a Canadian chartered bank.

Accounts payable and accrued liabilities at September 30, 2014 were \$365,270 compared to \$188,525 as at September 30, 2013. The increase is due primarily from accrued salaries and fees payable to related parties.

Selected Annual Information (audited)

	For the year ended June 30,	2014	2013	2012
Net loss and comprehensive loss	\$	(864,223)	\$ (7,047,382)	\$ (2,171,015)
Total assets		6,013,977	5,754,980	12,926,512
Total liabilities		335,497	170,000	212,771
Shareholders Equity		5,678,480	5,584,980	12,713,741
Basic and diluted loss per common share		(\$0.01)	(\$0.10)	(\$0.03)

Summary of Quarterly Results (unaudited)

Quarter Ended	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Total assets	\$ 5,725,795	\$ 6,013,977	\$ 5,457,533	\$ 5,535,114
Working capital	422,642	750,008	337,396	445,090
Net income (loss) for the period	(341,574)	(495,089)	(107,397)	(143,772)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

Quarter Ended	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Total assets	\$ 5,656,098	\$ 5,754,980	\$ 5,844,235	\$ 11,725,155
Working capital	589,666	706,119	831,313	983,702
Net income (loss) for the period	(117,964)	(169,150)	(5,970,296)	(716,730)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.09)	(0.01)

Overall Performance

The expenses incurred by the Company are typical of junior exploration and development companies that do not have an established cash flow from mining operations. Changes in these expenditures from quarter to quarter are impacted directly by non-recurring activities or events.

The Company's net and comprehensive loss for the three months ended September 30, 2014 was \$341,574 compared to the corresponding previous period loss of \$117,964 in 2013.

Increased expenditures on professional fees relate to the spin-out of Pioneer Pacific Finance Corp. Consulting fees were substantially higher in the current period due to amounts paid to medical marijuana consultants. The expenditures for public relations and communications were related to the annual and special general meeting. Share based compensation was higher due to stock options granted in the prior year.

Exploration and Evaluation Assets

New Hanover: Located 100 km west of the New Ireland provincial capital of Kavieng on the island of New Hanover, the project encompasses 591.6 km² under exploration license ("EL") 1566-New Hanover. To date, the Company has identified 11 mineral prospects and early results indicate that New Hanover is geologically related to the highly productive Tabar-Lihir-Feni island chain of alkaline volcanism. Detailed geological mapping, sampling and surveying will continue on a select number of the 11 geochemical alteration/geophysical anomalies identified for follow-up. The primary areas of interest are:

Randei: As announced on June 16, 2014, the Company has discovered a new gold-copper porphyry system as a result of the recent exploration program within the Metemana-Metekavil area. As a result of field work conducted in the fourth quarter, including mapping, outcrop sampling and a ridge and spur soil sampling program, a new copper/gold porphyry system has been identified in the 2km x 5km prospect area which remains open to the coast.

A total of 32 mineralized samples comprising both outcrop grab and 5m channel samples were collected. Copper mineralization in the form of covellite, chalcopyrite, bornite, chalcocite and malachite were observed in these samples. A further 61 soil samples were collected over ridges and spurs at 50m spacing. Copper minerals observed in rock outcrop samples include covellite, chalcopyrite, bornite, chalcocite and malachite. In addition, malachite clasts were mapped and sampled in what is interpreted to be a possible diatreme breccia. A previous malachite clast sampled in this area in 2009 assayed 9.67% Cu. These malachite clasts are interpreted to have been sourced from Cu porphyry system located at depth. Diatreme breccias are commonly associated with porphyry copper gold systems in the south west Pacific. All samples were sent to Intertek Services Laboratories in Lae, PNG for preparation, and pulps will be sent to Intertek's facility in Jakarta, Indonesia for analysis. Pending the results of the geochemical analysis of samples taken during the program, a detailed soil sample survey is being contemplated with the aim of defining drill targets to determine the potential of this prospect.

Metewoi: Located approximately 2-4 km inland from the south coast of the island, it covers 8 km² of quartz-alunite lithocap rock, where significant gold and copper results from outcrop samples have previously identified the exploration potential for high-sulphidation epithermal gold and porphyry copper-gold mineralization. Significant assays resulted from outcrop sampling collected during a detailed mapping and grid soil program carried out during the 2012 fiscal year

Kuliuta: This prospect is located 7 km inland from the islands' south coast. Detailed mapping of creek geology, existing bulldozer trenches and grid soil geochemistry were completed. An extensive 3.2 km x 1 km grid was established and 1,208 soil samples were taken, expanding the gold-in-soil anomalous zone to 1,400m x 600m. A further 207 channel samples gathered from 16 trenches resulted in grades up to 39m @ 3.89 g/t Au including 3m @ 31.64 g/t Au. The results compared favourably to the results obtained by earlier explorers while identifying broader mineralized zones.

The first drilling program to test the soil gold anomalies and gold-bearing trench intervals commenced in May, 2011 with a total of 2,580m completed by November, 2011. Interpretations of airborne and ground IP surveys were used to identify further targets to the north-east of the first six drill holes, KUD001-KUD006.

Drill holes KUD007-KUD011 tested a limited lateral and vertical portion of the "native-copper core" of what is indicated by airborne geophysics to be a large mineralized system. These intersected a high-level latite stock containing trace native and sulphide copper as stockworks, fracture fillings and disseminations, all typical of a porphyry copper system, under La'mau'sing mountain. Surface evidence and narrow gold intersections identified during this first phase of drilling continues to suggest that deeper copper-bearing rocks should be present beneath or adjacent to these breccias and in close proximity to the copper-bearing latite stock intersected by drill holes KUD007-KUD011.

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Mt. Suckling: The Mt. Suckling prospect is situated at the eastern end of New Guinea's Central Range east of Port Moresby on the southwest flanks of Mt. Suckling in Northern Province, PNG. The Company, during the year end 2013, sold an undivided 90% interest in the Mt. Suckling tenement and retained the remaining 10%. The Company also retains an entitlement to a 2% Net Smelter Royalty ("NSR"). Under the terms of the sale agreement, Suckling Minerals and its directors surrendered 5,344,791 common shares of the Company valued at \$106,896. According to the terms to the sale agreement 3,593,595 shares have been canceled and 1,751,198 remain in escrow until December 11, 2014, at which time all shares held in escrow as a part of this transaction will have been cancelled. Suckling Minerals can purchase the remaining 10% of the property owned by the Company for \$4.7m and they also have the option to purchase the 2% NSR for \$2.0m.

The following table illustrates the Company's exploration licences as at September 30, 2014:

Tenement	Minerals	Ownership	Carrying Value
EL 1566 - New Hanover	Au-Cu	PPM 100%	\$ 4,926,995
EL 1424 - Mt Suckling	Au-Cu, PGE-Ni	PPM 10%	-
Exploration and Evaluation Assets			\$ 4,926,995

Related Party Transactions

During the three months ended September 30, 2014 the Company identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three months ended September 30 are:

Key management personnel	September 30, 2014	September 30, 2013
Wages and consulting fees paid or payable	\$ 75,000	\$ 75,000
Share-based compensations for options granted	38,000	-
	\$ 113,000	\$ 75,000

Share-based payments represent the fair value calculations of options in accordance with IFRS-2 Share-based Payments granted to key management personnel.

The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

- Included in accounts payable and accrued liabilities at September 30, 2014 is \$182,803 (June 30, 2014 - \$ 150,000) owing to officers, directors and related companies for consulting fees, rent and general and administrative costs;
- Included in amounts receivable at September 30, 2014 is \$32,810 (June 30, 2014 - \$13,260) for charges to related parties.

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Outstanding Share Data

As at November 25, 2014 the Company had 75,645,411 common shares outstanding with 1,751,198 shares held in escrow pursuant to the conditions of the Mt Suckling sale.

As at November 25, 2014, 5,750,000 options at \$0.05 were outstanding with 4,550,000 exercisable. On July 12, 2014, 600,000 incentive stock options with an exercise price of \$0.40 per share expired. Pursuant to the granting and vesting of options issued, total stock based compensation recognized in the consolidated statements of loss during the three months ended September 30, 2014 was \$23,619 (September 30, 2013 – \$557). All options are recorded at fair value determined using the Black-Scholes option pricing model for which the following assumptions were used: risk free rate of 1.47%; expected life of 3 years; and annualized volatility of 118.86% and a 0% dividend rate.

Private Placement Financings

On June 24, 2014 the company completed a private placement financing of 9,700,000 units at a price of \$0.08 per unit for gross proceeds of \$776,000. Finder's Fees of \$43,330 were paid in cash and 8,750 shares were issued in lieu of cash. Additionally, other fees of \$8,450 were paid. Each unit consists of one common share plus one-half of a common share purchase warrant, with each whole warrant exercisable to purchase a common share at a price of \$0.12 for a period of 1 year. A value of \$14,533 was attributed to the warrants using relative fair value approach, included in contributed surplus and is determined based on the Black-Scholes pricing model based on the following assumptions: volatility 106.94%; risk free interest 1.56%; expected life 1 year; dividend rate 0%. As of November 25, 2014, 4,850,000 \$0.12 warrants were outstanding.

Plan of Arrangement

The shareholders approved by special resolution an arrangement (the "Plan of Arrangement") under Division 5 of Part 9 of the Business Corporations Act (British Columbia) between the Company, the shareholders of the Company and the Company's wholly-owned subsidiary Pioneer Pacific Finance Corp ("Pioneer"). The Plan of Arrangement received the approval of the Supreme Court of British Columbia and the final approval by TSX Venture Exchange. The Company has set September 30, 2014 as the share distribution record with respect to the Plan of Arrangement whereby shareholders acquired one share of Pioneer for every four Company shares held.

Financial Instruments

The Company classifies its cash and cash equivalents as held-for-trading. Amounts receivable are classified as loans and receivables, measured at amortized costs. Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized costs.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IAS 3 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require significant estimates as the basis for determining the stated amounts include exploration and evaluation expenditures and share-based compensation. The assessment of any impairment of exploration and evaluation assets is based on the estimated recovery of future exploitation or sale where the activities have not reached a stage which permits a reasonable assessment of existence of reserves. Share-based compensation expense is calculated using Black-Scholes pricing model which requires significant judgment as to considerations such as stock option lives and stock volatility.

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Significant Accounting Policies

A summary of the Company's significant accounting policies is included in Note 3 of the audited consolidated financial statements for the year ended June 30, 2014.

New Standards, Amendments and Interpretations

On July 24, 2014 the IASB issued IFRS 9 - *Financial Instruments*. This is the final version of the Standard and supersedes all previous versions. The Standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted. This standard introduces new requirements for the impairment of financial assets measured at amortized cost and classification and measurement of financial instruments. The Company will be analyzing the possible impacts of these amendments on its future consolidated financial statements.