



Papuan Precious Metals Corp.

Management's Discussion and Analysis

For the Six Months Ended

December 31, 2014

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TSX.V: PAU

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 January 28, 2015, should be read in conjunction with the condensed interim consolidated financial statements and related notes for the six months ended December 31, 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 International Accounting Standard 34 – Interim Financial Reporting 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 mineral properties (exploration and evaluation assets) 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 December 31, 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 six months ended December 31, 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 \$467,773 as at December 31, 2014 with a positive working capital balance of \$296,778. In the prior year, the Company had cash and cash equivalents of \$563,282 and a positive working capital balance of \$445,090.

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 December 31, 2014 were \$357,484 compared to \$211,313 as at December 31, 2013. The increase is primarily due to 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)

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Summary of Quarterly Results (unaudited)

Quarter Ended	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total assets	\$ 5,592,394	\$ 5,725,795	\$ 6,013,977	\$ 5,457,533
Working capital	296,778	422,642	750,008	337,396
Net (loss) for the period	(109,781)	(341,574)	(495,089)	(107,397)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

Quarter Ended	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total assets	\$ 5,535,114	\$ 5,656,098	\$ 5,754,980	\$ 5,844,235
Working capital	445,090	589,666	706,119	831,313
Net (loss) for the period	(143,772)	(117,964)	(169,150)	(5,970,296)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.09)

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 six months ended December 31, 2014 was \$451,355 compared to the corresponding previous period loss of \$261,736 in 2013.

Increased expenditures on auditing and legal 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 consultants for services related to the spin-out of Pioneer Pacific Finance Corp. 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 although this was reduced by forfeitures in the second quarter.

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. Early results indicate that New Hanover is geologically related to the highly productive Tabar-Lihir-Feni island chain of alkaline volcanism.

To date, the Company has identified 11 mineral prospects in what are referred to as anomalous areas. Anomalous areas are generally considered as geochemical alteration and geophysical anomalies. Specifically they are defined by either singularly or a combination of panned concentrate, rock geochemistry and altered rock in outcrop. From east to west, the anomalous areas identified thus far at new Hanover are: Baungung, Upper Vuemolong, Metekavil, Metemana, Kuliuta Gold Prospect, Upper Ungat, Upper Saula, Ngamin, Ealing, Upper Anas and Gamagama. Detailed geological mapping, sampling and surveying will continue on a select number of the 11 geochemical alteration/geophysical anomalies identified for follow-up.

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Field work in 2014 focused on the Metekavil and Metemana anomalous areas located in the Southwest area of the New Hanover property. The program was designed to map the geology, structure and alteration of the two adjacent prospects. A 2 week program focused on mapping and prospecting the following: 2 geochemical anomalies, three geophysical anomalies (NH08, NH09, NH12) and reconnaissance mapping and rock chip sampling. Geochemical rock chip sampling and soil sampling were also planned to ascertain if the two anomalous areas are indeed part of 1 large system. A total of 10 km² was covered.

Highlight observations of the field work are;

- Confirmation that latite flows and associated volcanic lithologies form the basement, host alteration and mineralization for Metakavil and Metamana
- North-West and West-North-West oriented faults are the dominant structural trends and are correlated across the anomalous areas. Alteration is controlled by these structures.
- It is interpreted that reactivated movement on the faults controls the presence of various sulphides and gold in quartz and quartz-carbonite veins including gold, chalcocite, bornite, covellite, sphalerite and galena.
- Chalcocite mineralization as fracture-fill and joint plane coverage coats the outcrop faces near the land slide at Randiei creek.
- Propylitic alteration with argillic over-print has a strike length of 6 Km and continues west to the southwest past the shore of the island

A total of 32 rock chip/ channel samples were collected during the current program. Five rock chip samples returned anomalous gold values > 0.1 ppm and 26 rock chip samples returned silver grades >0.1 ppm with 50% of the samples returning silver values >1 g/t. The highest grade gold sample was collected at Rantakiau Creek and yielded 3.37 g/t Au while the highest grade silver sample was collected at Randiei Creek and yielded 29.6 g/t Ag.

A total of 60 soil samples were also collected. Soil samples were taken at 50m intervals covering the ridge separating Metekavil and Metemana. Assays returned from soil sample shows strong silver anomalies but overall low order anomalies in gold and copper. Two distinct silver anomalies with values of > 0.11 g/t Ag in soil were identified. One of the anomalies coincides with the north-west trending Nelipti structural zone while the other is present between the north-west trending Randiei and Metemana fracture system. The Nelipti fracture zone has been mapped at 300m wide over a strike length of more than 800m. The Randiei fracture zone has been mapped at 500m wide over a strike length of 1200m. Both mineralized fracture zones are open ended.

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 ended 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 December 31, 2014:

Tenement	Minerals	Ownership	Carrying Value
EL 1566 - New Hanover	Au-Cu	PPM 100%	\$ 4,928,775
EL 1424 - Mt Suckling	Au-Cu, PGE-Ni	PPM 10%	-
Exploration and evaluation assets			\$ 4,928,775

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Related Party Transactions

During the six months ended December 31, 2014 the Company identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the six months ended December 31 were:

Key management personnel	December 31, 2014	December 31, 2013
Wages and consulting fees paid or payable	\$ 155,000	\$ 150,000
Total	\$ 155,000	\$ 150,000

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 at December 31, 2014 is \$7,109 owing to related companies for rent and general administrative costs (June 30, 2014 - \$16,861);
- Included in accrued liabilities at December 31, 2014 is \$198,000 owing to officers and directors for salaries and consulting fees (June 30, 2014 - \$135,000);
- Included in amounts receivable at December 31, 2014 is \$63,607 (June 30, 2014 - \$13,260) due from related parties.

Outstanding Share Data

As at January 28, 2015 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 January 28, 2015, 4,850,000 options at \$0.05 were outstanding with 4,500,000 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 six months ended December 31, 2014 was \$7,785 (December 31, 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 January 28, 2015, 4,850,000 \$0.12 warrants were outstanding.

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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 on September 19, 2016 and the final approval by TSX Venture Exchange. The Company 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. Pioneer is now a reporting issuer in British Columbia and Alberta, Canada.

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.

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

The IASB has issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after July 1, 2015. None of the new or revised standards or amendments is expected to have any significant impact to the Company's financial statements.