



Papuan Precious Metals Corp.

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended

March 31, 2012

(unaudited)



Papuan Precious Metals Corp.

Condensed Consolidated Interim Financial Statements For the Nine Months Ended March 31, 2012

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Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim financial statements for the period ended March 31, 2012.

Papuan Precious Metals Corp.

Condensed consolidated interim statement of financial position



	Note	March 31, 2012	June 30, 2011
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,792,330	\$ 8,904,745
Amounts receivable	5	49,274	20,245
Prepaid expenses		97,985	48,304
		2,939,589	8,973,294
Property and equipment	6	110,659	128,323
Exploration and evaluation assets	7	10,904,235	5,897,577
Total Assets		13,954,483	14,999,194
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	473,414	613,827
Total liabilities		473,414	613,827
SHAREHOLDERS' EQUITY			
Share capital	10	14,068,696	14,004,136
Other capital reserves	10	5,516,569	5,071,144
Foreign currency translation reserves		(259,233)	-
Deficit		(5,844,963)	(4,689,913)
		13,481,069	14,385,367
Total Liabilities and Shareholders' Equity		\$ 13,954,483	14,999,194

Nature and continuance of operations (Note 1)

Approved on May 29, 2012 by the Directors:

"Devinder Randhawa"

Devinder Randhawa, Director

"I. David Lindley"

I. David Lindley, Director

Papuan Precious Metals Corp.

Condensed consolidated interim statements of comprehensive loss



	Note	Three months ended March 31,		Nine months ended March 31,	
		2012	2011	2012	2011
Expenses		\$	\$	\$	\$
Business development		2,500	14,350	16,199	24,248
Consulting and management fees	12	76,625	165,827	195,132	224,466
Depreciation		4,508	5,020	10,798	7,468
Office and administration		35,686	47,633	84,172	65,320
Professional fees		13,410	211,125	170,821	236,984
Public relations and communications		65,497	27,662	186,314	32,821
Regulatory fees		10,546	4,291	23,872	38,181
Rent		4,026	7,280	10,664	12,434
Share-based compensation	10	76,640	268,269	328,892	268,269
Transfer agent		7,198	49,418	16,187	67,978
Wages and benefits	12	60,227	210,700	162,078	311,712
		356,863	1,011,575	1,205,129	1,289,882
Loss before other items		(356,863)	(1,011,575)	(1,205,129)	(1,289,882)
Other items - income/(expense)					
Interest		(11,490)	-	(49,906)	-
Foreign exchange gain (loss)		221	249,812	834	20,001
Finders fees		-	(147,165)	-	(378,692)
Expense recovery		-	-	-	43,750
Listing expenses		-	-	-	(2,477,462)
		11,270	102,647	49,072	(2,792,403)
Net loss and comprehensive loss for the period		(345,593)	(908,928)	(1,156,057)	(4,082,285)
Basic and diluted loss per common share		(0.00)	(0.02)	(0.02)	(0.09)
Weighted average number of common shares outstanding		69,544,638	55,238,082	69,544,638	44,380,715
Net income (loss) for the period		(345,593)	(908,928)	(1,156,057)	(4,082,285)
Comprehensive income (loss) for the period		(345,593)	(908,928)	(1,156,057)	(4,082,285)

Papuan Precious Metals Corp.



Condensed consolidated interim statement of shareholders' equity

	Note	Common shares		Other capital reserve	Foreign currency translation	Deficit	Total shareholders' equity
		Shares	Amount				
Balance, June 30, 2010		24,182,291	2,379,667	-	-	(908,953)	1,470,714
4:1 rollback of Jalna shares		(18,136,718)	-	-	-	-	-
Issuance of shares pursuant to reverse takeover	9	44,386,026	6,087,992	2,436,281	-	-	8,524,273
Private Placements	10(a)	18,933,334	6,423,915	1,596,085	-	-	8,020,000
Share issuance costs		-	(458,025)	(114,377)	-	-	(572,402)
Broker warrants		-	(431,807)	431,807	-	-	-
Exercise of option/warrants		4,200	2,394	(715)	-	-	1,679
Share-based compensation	3	-	-	577,672	-	-	577,672
Net loss and comprehensive loss		-	-	-	-	(3,597,453)	(3,597,453)
Balance, March 31, 2011		69,369,133	14,004,136	4,926,753	-	(4,506,406)	14,424,483
Share-based compensation	3	-	-	144,391	-	-	144,391
Net loss and comprehensive loss		-	-	-	-	(183,507)	(183,507)
Balance, June 30, 2011		69,369,133	14,004,136	5,071,144	-	(4,689,913)	14,385,367
Exercise of option/warrants		111,123	64,560	(18,966)	-	-	45,594
Share-based compensation	10(c)	-	-	464,391	-	-	464,391
Foreign currency translation adjustment		-	-	-	(259,233)	-	(259,233)
Net loss and comprehensive loss		-	-	-	-	(1,155,050)	(1,155,050)
Balance, March 31, 2012		69,480,256	14,068,696	5,516,569	(259,233)	(5,844,963)	13,481,069

See accompanying notes to the condensed consolidated interim financial statements.

Papuan Precious Metals Corp.

Condensed consolidated interim statements of cash flows



	Note	Three months ended March 31,		Nine months ended March 31,	
		2012	2011	2012	2011
Cash flows used in operating activities					
Net loss and comprehensive loss for the period	\$	(345,593)	\$ (908,928)	\$ (1,156,058)	\$ (4,082,284)
Items not affecting cash:					
Depreciation		4,508	5,020	10,798	7,468
Listing Fees on Amalgamation		-	-	-	2,708,989
Interest Income		(8,609)	-	(8,609)	-
Share-based compensation		76,640	268,269	328,892	268,269
		(273,054)	(635,639)	(824,977)	(1,097,558)
Changes in non-cash working capital items:					
(Increase) decrease in amounts receivable		(12,290)	18,121	(29,029)	(19,348)
(Increase) in prepaid expenses		(46,284)	1,807	(49,681)	(51,791)
Increase (decrease) in accounts payable and accrued liabilities		(93,890)	217,578	(112,877)	(309,061)
Cash used in continuing operations		(425,518)	(398,133)	(1,016,564)	(1,477,758)
Investing activities					
Property and equipment purchased			(41,184)		(41,338)
Exploration and evaluation additions		(1,260,424)	(972,949)	(5,095,851)	(1,771,800)
Proceeds of issuance of shares against cash		-	-	-	6,046,811
Cash used in investing activities		(1,260,424)	(1,014,133)	(5,095,851)	4,233,673
Financing activity					
Net proceeds from the issuance of common shares and share units		-	6,540,697	-	7,593,298
Proceeds from exercise of options/warrants		-	1,620	-	-
Cash provided by financing activities		-	6,542,317	-	7,593,298
Effect of exchange rate changes on cash and cash equivalents					
Net increase (decrease) in cash and cash equivalents		(1,685,942)	5,130,051	(6,112,415)	10,349,213
Cash and cash equivalents, beginning of period		4,478,272	5,256,051	8,904,745	36,889
Cash and cash equivalents, end of period		2,792,330	10,386,102	2,792,330	10,386,102

Supplemental disclosure with respect to cash flows (Note 11).

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



1. Nature and continuance of operations

Papuan Precious Metals Corp. (the "Company") is a company incorporated under the Business Corporation Act of British Columbia, Canada. The registered office of the Company is 700-595 Howe Street, Vancouver, British Columbia, V6C 2T5. The principle address and records office of the Company is 700-1620 Dickson Ave., Kelowna, British Columbia, V1Y 9Y2. The Company's shares are publicly listed on the TSX-Venture and OTCQX exchanges under the symbols *PAU* and *PAUFF* respectively.

The Company is engaged in the acquisition, exploration and development of exploration and evaluation assets in Papua New Guinea ("PNG"). The Company is considered to be in the exploration stage and to date has not generated significant revenues from operations. The Company has not yet determined whether its exploration and evaluation assets contain economically viable ore reserves and there is no guarantee that mineral deposits will be discovered in the future. The recoverability of the amounts shown for exploration and evaluation assets is 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 and/or proceeds from the disposition thereof.

These condensed consolidated interim financial statements have been prepared by management in Canadian dollars on a going concern basis with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has no significant source of revenue and has significant cash requirements to meet its administrative overhead and to maintain its mineral property interests. 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 financial statements do not include any adjustments to assets and liabilities should the Company be unable to continue as a going concern. Management has carried out an assessment of the going concern assumption and has concluded that the company has sufficient cash and cash equivalents as well as no debt obligations outside the normal course accounts payable and accrued liabilities for the continuation of operations for the foreseeable future.

2. Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are described below:

(a) Basis of Presentation and First Time Adoption of International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standard IAS 34-*Interim Financial Reporting* 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"). The condensed consolidated interim financial statements were authorized for issuance in accordance with a resolution of the directors on May 29, 2012.

As these condensed consolidated interim financial statements represent the Company's initial presentation of its interim results and financial position under IFRS, they have been prepared in accordance with the accounting policies the Company expects to adopt in its first IFRS consolidated annual financial statements for the year ending June 30, 2012. These accounting policies are based on the IFRS standards and IFRIC interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted. All of the disclosures required by IFRS for annual financial statements are not contained within these condensed consolidated interim financial statements.

The Company's consolidated financial statements previously prepared in accordance with Canadian GAAP differ in some areas from IFRS. Management, in preparing these condensed consolidated interim financial statements, has amended certain accounting and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for fiscal 2011 are restated to reflect these adjustments as required by IFRS 1-*First-Time Adoption of IFRS*. Certain information and footnote disclosures that are considered material to the understanding of the Company's condensed interim financial statements and normally included in annual financial statements prepared in accordance with IFRS are provided in Note 3 along with reconciliations and descriptions of the effect of the transition from Canadian

Papuan Precious Metals Corp.

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GAAP to IFRS on the consolidated statements of financial position, changes in equity, income (loss), comprehensive income (loss) and cash flows. The comparative figures presented in these condensed consolidated interim financial statements are in accordance with IFRS and have been prepared on a historical cost basis.

(b) Principles of Consolidation

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from the Company's activities. Subsidiaries are fully consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary Papuan Precious Metals Ltd. ("PPM Ltd.") which is incorporated in PNG. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

(c) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the condensed consolidated interim financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Papuan Precious Metals Corp. and Papuan Precious Metals Ltd. is the Canadian dollar. The Company's presentation currency is Canadian dollars.

(ii) Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the reporting date are recognized in the profit or loss.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign Operations

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statement of comprehensive income (loss) is translated at exchange rates prevailing at the transaction dates. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of income or loss.

(d) Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, deposits with major financial institutions and other short term highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(e) Financial Assets and Liabilities

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial assets and financial liabilities are measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial assets and liabilities at fair value through profit and loss ("FVTPL"), available-for-sale, loans and receivables, held-to-maturity, or other financial liabilities.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized on the consolidated statement of comprehensive income (loss). Financial assets classified as available-for-sale are measured at fair value with changes in those fair values recognized in other comprehensive income. Financial instruments classified as loans and receivables, held to maturity or other

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financial liabilities are measured at amortized cost using the effective interest rate method of depreciation. Where a financial instrument classified as held-to-maturity or available-for-sale has a loss in value which is considered to be other than temporary, the loss is recognized through profit or loss.

- The Company has classified its financial assets and liabilities as FVTPL and any period change in fair value is recorded through profit or loss.
- Amounts receivable are classified as receivables and are measured at amortized cost.
- The Company has no assets or liabilities that are classified as available-for-sale.

(f) Property and Equipment

Property and Equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on a straight line basis at the following annual rates:

• Geological equipment	20%
• Office equipment	20%
• Vehicles	30%
• Computer equipment	30%
• Computer software	50%

An item of Property and Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

When an item of Property and Equipment comprises major components with different useful lives, the components are accounted for as separate items of Property and Equipment. Expenditures incurred to replace a component of an item of Property and Equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(g) Exploration and Evaluation Assets

Costs attributable to the acquisition, exploration and evaluation of Exploration and Evaluation assets are capitalized until the mineral property interests to which they relate are placed into production, disposed of through sale or where management has determined there is impairment. Depreciation of assets directly related to Exploration and Evaluation assets is capitalized. The attributable costs will be amortized over the estimated productive lives of the properties upon commencement of commercial production using the units-of-production method.

Exploration and Evaluation assets are reviewed on an ongoing basis to consider any impairment. The Company's determination for impairment is based in part on whether:

- (i) exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future;
- (ii) necessary authorizations are valid;
- (iii) landowner agreements, operating permits and feasible environmental programs exist or are attainable;
- (iv) exploration programs on the Exploration and Evaluation assets have significantly changed such that previously identified resource targets are no longer being pursued.



(h) Share-based Payments

The Company has a stock option plan whereby it is authorized to grant stock options to employees, officers, directors and consultants. Employees, officers, directors and consultants are classified as employees when they render personal services to the entity and are either regarded as employees for legal or tax purposes, or employed with an entity under its direction in the same way as employees, officers, directors and consultants who are regarded as employees for legal or tax purposes are, or the services rendered are similar to those rendered by employees.

The fair value of stock options issued to employees is measured on the grant date, using the Black-Scholes option pricing model with assumptions for volatility of the expected market price of the Company's common shares, risk-free interest rates, expected life of the options and dividend yields. The fair value less estimated forfeitures is charged to profit or loss and/or capitalized to the Exploration and Evaluation assets over the vesting period of the related options with a corresponding credit to other capital reserves in equity. The estimated forfeitures are based on historical experience and reviewed on quarterly basis to determine the appropriate forfeiture rate based on past, present and expected forfeitures. Management uses the dynamic model to calculate the estimated forfeitures. Stock options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. No share-based awards have been issued to non-employees. When the stock options are exercised, the proceeds are credited to Share Capital and the fair value of the options exercised is reclassified from Other Capital Reserves to Share Capital.

(i) Related Party transactions

Parties are considered to be related if one party has the direct or indirect ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related Parties may be individuals or corporate entities. A transaction is considered to be a Related Party transaction when there is a transfer of services, obligations or resources between related parties.

(j) Income Taxes

Current Tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantially enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of prior years.

Deferred Income taxes are recorded using the balance sheet method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred Tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. It is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A Deferred Tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred Tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Earnings (Loss) per Share

Basic Earnings (loss) per Share is calculated by dividing Net Income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding and common share equivalents issued and outstanding during the period. Diluted Loss per Share does not adjust the gain or loss attributable to common shareholders when the effect is anti-dilutive.

(l) New standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.



Accounting standards anticipated to be effective January 1, 2013

- *Joint ventures*

The IASB issued IFRS 11 – *Joint Arrangements* on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company is currently evaluating the impact IFRS 11 is expected to have on its consolidated financial statements.

- *Consolidation*

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - *Consolidated and Separate Financial Statements* and SIC-12 – *Consolidation – Special Purpose Entities*, with a single standard on consolidation. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

- *Financial instruments*

IFRS 9 - *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

- *Fair-value measurement*

IFRS 13 - *Fair Value Measurement*: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

3. **First Time Adoption of IFRS**

The Company has adopted IFRS with a transition date of July 1, 2010. Under IFRS 1-*First time adoption of International Financial Reporting Standards*, the IFRS are applied at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied.

The guidance for first time adoption of IFRS is set out in IFRS 1 which provides for certain mandatory exemptions and optional exemptions for first time adopters of IFRS. The Company is applying the following exemptions on first-time adoption of IFRS:

- Cumulative currency translation differences for all foreign operations are deemed to be zero as at transition date; and
- IFRS 2-*Share-based Compensation* has been applied to equity instruments granted after November 7, 2002 that had not vested as at the Transition Date

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The elections taken under IFRS 1 and the significant accounting policies set out in Note 2 have been applied in preparing these unaudited condensed consolidated interim financial statements and selected unaudited comparative information presented below. The following tables reconcile the Company's unaudited condensed consolidated interim statements of financial position and statements of loss and comprehensive loss with those prepared and previously reported in accordance to Canadian GAAP to those prepared and reported in these unaudited condensed consolidated interim financial statements in accordance with IFRS.

Consolidated Statement of Financial Position

As at July 1, 2010

	Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
ASSETS		\$	\$	\$
Current assets				
Cash and cash equivalents		36,899	-	36,899
Short-term investments (Note 3)		-	-	-
Amounts receivable		-	-	-
Prepaid expenses		27,265	-	27,264
Total current assets		64,164	-	64,163
Property, plant and equipment		18,873	-	18,873
Mineral property interests		2,090,921	-	2,090,922
Total Assets		2,173,958	-	2,173,958
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		471,645	-	471,645
Due to Jalna Minerals		25,000	-	25,000
Due to Shareholders		206,600	-	206,600
Total liabilities		703,245	-	703,245
SHAREHOLDERS' EQUITY				
Share capital		2,379,667	-	2,379,667
Other capital reserves		-	-	-
Deficit		(908,954)	-	(908,954)
Total Shareholders' Equity		1,470,713	-	1,470,713
Total Liabilities and Shareholders' Equity		2,173,958	-	2,173,958

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Consolidated Statement of Financial Position

As at June 30, 2011

	Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
ASSETS		\$	\$	\$
Current assets				
Cash and cash equivalents		8,904,745	-	8,904,745
Amounts receivable		20,245	-	20,245
Prepaid expenses		48,304	-	48,304
Total current assets		8,973,294	-	8,973,294
Property, plant and equipment		128,323	-	128,323
Mineral property interests	3(a)	5,711,308	186,269	5,897,577
Total Assets		14,812,925	186,269	14,999,194
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		613,827	-	613,827
Total liabilities		613,827	-	613,827
SHAREHOLDERS' EQUITY				
Share capital		14,004,136	-	14,004,136
Other capital reserves	3(a)	4,761,741	(309,403)	5,071,144
Deficit	3(a)	(4,566,779)	123,134	(4,689,913)
Total Shareholders' Equity		14,199,098	(186,269)	14,385,367
Total Liabilities and Shareholders' Equity		14,812,925	-	14,999,194

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Consolidated Statement of Financial Position

As at March 31, 2011

	Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
		\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents		10,386,102	-	10,386,102
Amounts receivable		19,348	-	19,348
Prepaid expenses		79,055	-	79,055
Total current assets		10,484,505	-	10,484,505
Property, plant and equipment		60,212	-	60,212
Mineral property interests	3(a)	3,862,722	77,253	3,939,975
Total Assets		14,407,439	77,253	14,484,692
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		394,183	-	394,183
Total liabilities		394,183	-	394,183
SHAREHOLDERS' EQUITY				
Share capital		14,112,838	-	14,112,838
Subscriptions received in advance		-	-	-
Other capital reserves	3(a)	4,841,575	(129,223)	4,970,798
Deficit	3(a)	(4,941,157)	51,970	(4,993,127)
Total Shareholders' Equity		14,013,256	(77,253)	14,090,509
Total Liabilities and Shareholders' Equity		14,407,439	-	14,484,692

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Notes to the condensed consolidated interim financial statements
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Consolidated Statement of Comprehensive Loss Year Ended June 30, 2011

Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
General and administrative expenses	\$	\$	\$
Business development	18,885	-	18,885
Consulting and management fees	217,555	-	217,555
Depreciation	7,038	-	7,038
Office and administration	89,368	-	89,368
Professional fees	184,979	-	184,979
Public relations & communications	48,390	-	48,390
Regulatory fees	41,963	-	41,963
Rent	11,693	-	11,693
Share-based compensation	412,660	123,134	535,794
Transfer agent	48,570	-	48,570
Wages and benefits	215,113	-	215,113
	1,296,214	123,134	1,419,348
Loss before other items	(1,296,214)	(123,134)	(1,419,348)
Other items			
Foreign currency loss	63,598	-	63,598
Finders fees	92,687	-	92,687
Listing expenses	(2,517,897)	-	(2,517,897)
	(2,361,612)	-	(2,361,612)
Net loss and comprehensive loss	(3,657,826)	(123,134)	(3,780,960)

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



Consolidated Statement of Comprehensive Loss For the Three Months Ended March 31, 2011

Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
General and administrative expenses	\$	\$	\$
Business development	14,350	-	14,350
Consulting and management fees	165,827	-	165,827
Depreciation	5,020	-	5,020
Office and administration	47,633	-	47,633
Professional fees	211,125	-	211,125
Public relations & communications	27,662	-	27,662
Regulatory fees	4,291	-	4,291
Rent	7,280	-	7,280
Share-based compensation	268,269	51,790	320,059
Transfer agent	49,418	-	49,418
Wages and benefits	210,700	-	210,700
	1,011,575	51,790	1,063,365
Loss before other items	(1,011,575)	(51,790)	(1,063,365)
Other items:			
Expense Recovery	-	-	-
Finders Fees	(147,165)	-	(147,165)
Foreign currency loss	249,812	-	249,812
	102,647	-	102,647
Net loss and comprehensive loss	(908,928)	(51,790)	(960,718)

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



Consolidated Statement of Comprehensive Loss For the Nine Months Ended March 31, 2011

Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
General and administrative expenses	\$	\$	\$
Business development	24,248	-	24,248
Consulting and management fees	224,466	-	224,466
Depreciation	7,468	-	7,468
Office and administration	65,320	-	65,320
Professional fees	236,984	-	236,984
Public relations & communications	32,821	-	32,821
Regulatory fees	38,181	-	38,181
Rent	12,434	-	12,434
Share-based compensation	268,269	51,790	320,059
Transfer agent	67,978	-	67,978
Wages and benefits	311,712	-	311,712
	1,289,881	51,790	1,341,671
Loss before other items	(1,289,881)	(51,790)	(1,341,671)
Other items:			
Expense Recovery	43,750	-	43,750
Finders Fees	(378,692)	-	(378,692)
Foreign currency loss	20,001	-	20,001
Listing expenses	(2,477,462)	-	(2,477,462)
	(2,792,403)	-	(2,792,403)
Net loss and comprehensive loss	(4,082,284)	(51,790)	(4,134,074)

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



Consolidated statement of cash flows For the Year Ended June 30, 2011

Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
Cash flows used in operating activities	\$	\$	\$
Net loss and comprehensive loss for the period	3(a) (3,657,826)	(123,134)	(3,780,960)
Items not affecting cash:			
Amortization	7,038	-	7,038
Listing Fees on Amalgamation	2,517,897	-	2,517,897
Stock-based compensation	3(a) 412,660	123,134	535,794
	(720,231)	-	(720,231)
Changes in non-cash working capital items:			
(Increase) decrease in amounts receivable	(20,245)	-	(20,245)
(Increase) in prepaid expense	(21,039)	-	(21,039)
Increase (decrease) in accounts payable and accrued liabilities	(151,361)	-	(151,361)
Cash used in continuing operations	(912,876)	-	(912,876)
Investing activities			
Property and equipment additions	(116,488)	-	(116,488)
Mineral property interests	(3,558,877)	-	(3,558,877)
Cash used in investing activities	(3,675,365)	-	(3,675,365)
Financing activity			
Deemed issuance of shares against cash	6,006,810	-	6,006,810
Proceeds from issuance of common share units net of share issuance costs	7,447,598	-	7,447,598
Proceeds from exercise of stock options and warrants	1,680	-	1,680
Cash provided by financing activities	13,456,088	-	13,456,088
Net increase (decrease) in cash and cash equivalents	8,867,847	-	8,867,847
Cash and cash equivalents, beginning of period	26,899	-	26,899
Cash and cash equivalents, end of year	8,894,746	-	8,894,746

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



Consolidated statement of cash flows For the Nine Months Ended March 31, 2011

Notes	Canadian GAAP	IFRS Adoption Adjustments	IFRS
Cash flows used in operating activities	\$	\$	\$
Net loss and comprehensive loss for the period	3(a) (4,082,284)	(51,790)	(4,134,074)
Items not affecting cash:			
Amortization	7,468	-	7,468
Listing Fees on Amalgamation	2,708,989	-	2,708,989
Stock-based compensation	3(a) 268,269	51,790	320,059
Changes in non-cash working capital items:			
(Increase) decrease in amounts receivable	(19,348)	-	(19,348)
(Increase) in prepaid expense	(51,792)	-	(51,792)
Increase (decrease) in accounts payable and accrued liabilities	(114,989)	-	(114,989)
Cash used in continuing operations	(1,283,687)	-	(1,283,687)
Investing activities			
Property and equipment additions	(41,338)	-	(41,338)
Mineral property interests	(1,771,800)	-	(1,771,800)
Cash used in investing activities	(1,813,138)	-	(1,813,138)
Financing activity			
Net Proceeds from issuance of common shares and share units	7,447,598	-	7,447,598
Warrants exercised	1,620	-	-
Deemed issuance of shares against cash	6,006,810	-	6,006,810
Cash provided by financing activities	13,456,028	-	6,006,810
Net increase (decrease) in cash and cash equivalents	10,359,203	-	10,359,203
Cash and cash equivalents, beginning of period	26,899	-	26,899
Cash and cash equivalents, end of period	10,386,102	-	10,386,102



3. First Time Adoption of IFRS (continued)

Notes to the IFRS reconciliation are as follows:

(a) Share-based compensation

Under Canadian GAAP, the Company measured share-based compensation related to share purchase options as the fair value of the options granted using Black-Scholes option pricing model and recognized this expense over the vesting period of the options. IFRS 2: *Share-based Compensation*, which is similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted at the fair value of the options on the date of the grant and recognized such expense over the vesting period of the options. IFRS 2 also requires each tranche in an award with graded vesting be considered as a separate grant with different vesting date and fair value whereas under Canadian GAAP the total fair value of the award was recognized on a straight-line basis over the vesting period.

IFRS 2 also has a broader definition of an employee allowing the Company to group employees and others providing similar services together. This has resulted in certain contractors and consultants to be classified as employees.

Adjustments were calculated only for options issued and outstanding after the Transition Date. As a result of these differences, the Company has adjusted its share-based payments. The amounts recorded in Other Capital Reserves for share-based compensation increased by \$123,134 as at June 30, 2011 and Exploration and Evaluation assets have increased by \$186,269 as at June 30, 2011.

4. Key Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimated uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) *Exploration and Evaluation Expenditures*

The Company's accounting policy for Exploration and Evaluation expenditure results in certain items of expenditure being capitalized for prospective areas where it is considered likely to be recovered by future exploitation or sale and where the activities have not reached a stage which permits a reasonable assessment of existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If after having capitalized the expenditure under this policy a judgment is made that the recovery of the expenditure is unlikely, the relevant capitalized amount will be written off in the statement of comprehensive loss in the period when the new information becomes available.

(b) *Share-based Compensation*

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating share-based compensation transactions are disclosed in Note 10(c).

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



5. Amounts Receivable

The Company does not have any significant balances that are past due. All Accounts Receivable are current, and the Company does not have any allowance for doubtful accounts. Due to their short-term maturities, the fair value of Accounts Receivable approximates their carrying value.

	March 31, 2012	June 30, 2011	July 1, 2010
	\$	\$	\$
Amounts receivable	9,299	-	-
HST receivable	39,975	20,245	11,947

6. Property and Equipment

Property and Equipment consist of:

Cost	Geological Equipment	Office Equipment	Computer Equipment	Computer Software	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
As at July 1, 2010	3,660	992	3,890	13,806	23,473	45,821
Additions	27,182	-	21,312	34,389	49,283	132,166
Disposals	-	-	-	-	-	-
As at June 30, 2011	30,842	992	25,202	48,195	72,756	177,987
Additions	6,892	-	5,114	9,704	3,777	25,487
Disposals	-	-	-	-	-	-
As at March 31, 2012	37,734	992	30,316	57,899	76,533	203,474
Accumulated Depreciation						
As at July 1, 2010	1,641	234	1,772	9,234	14,070	26,951
Depreciation	5,049	565	29	10,148	6,984	22,775
As at June 30, 2011	6,690	799	1,743	19,382	21,054	49,668
Depreciation	5,263	119	5,782	18,175	13,808	43,147
As at March 31, 2012	11,953	918	7,525	37,557	34,862	92,815
Net Book Value						
As at July 1, 2010	2,019	758	2,118	4,572	9,403	18,870
As at June 30, 2011	24,152	193	23,459	28,813	51,702	128,319
As at March 31, 2012	25,781	74	22,792	20,342	41,671	110,660

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
For the nine months ended March 31, 2012 (unaudited)



7. Exploration and Evaluation Assets

Nine months ended March 31, 2012

Exploration Costs	New Hanover		Mt Suckling		Waria Petromin Farm-in		Waria		Bewani	Total CDN \$
	New Hanover	Lavongai	Mt Suckling	Upper Ada'u River	Waria River	Ondowa Creek	Bowutu Mtns	Goroa East	Bewani Mountains	
	EL 1566	ELA 1856	EL 1424	EL 1618	EL 1271	EL 1732	EL 1943	EL 1683	EL 1574	
Balance June 30, 2011	2,261,222	6,152	1,572,463	429,338	970,693	188,887	8,545	246,473	213,803	5,897,576
Camp and field costs	364,081	1,161	203,742	9,819	57,535	3,478	605	3,024	3,672	647,117
Charter hire	561,837	-	980,229	-	77,421	-	-	-	-	1,619,487
Drilling	817,050	-	778,847	-	-	-	-	-	-	1,595,897
Geological and other consulting	152,610	-	36,419	615	5,482	615	-	2,179	2,009	199,928
Geochemistry	212,763	-	57,428	-	3,975	-	-	-	-	274,167
Geophysics	8,918	-	10,987	-	8,993	-	-	-	-	28,898
Tenement expense	10,936	-	-	4,919	-	-	-	2,063	2,332	20,251
Project costs	146,460	8,513	118,309	12,686	24,698	11,027	9,066	11,154	12,043	353,957
Travel	30,934	-	4,060	107	5,102	1,032	-	-	-	41,235
Freight	15,959	82	73,689	82	82	82	82	82	82	90,221
Stock-based compensation	62,171	1,768	40,773	5,761	12,125	2,859	73	2,325	7,646	135,500
Additions	2,383,720	11,523	2,304,484	33,989	195,414	19,092	9,826	20,827	27,783	5,006,657
Balance March 31, 2012	4,644,942	17,675	3,876,947	463,327	1,166,107	207,979	18,371	267,300	241,586	10,904,233

Papuan Precious Metals Corp.

Notes to the condensed consolidated interim financial statements
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7. Exploration and Evaluation Assets (continued)

Year ended June 30, 2011

Exploration Costs	New Hanover		Mt Suckling		Waria Petromin Farm-in			Waria	Bewani	Total \$
	New Hanover	Lavongai	Mt Suckling	Upper Ada'u River	Waria River	Ondowa Creek	Bowutu Mtns	Goroa East	Bewani Mountains	
	<i>EL 1566</i>	<i>ELA 1856</i>	<i>EL 1424</i>	<i>EL 1618</i>	<i>EL 1271</i>	<i>EL 1732</i>	<i>EL 1943</i>	<i>EL 1683</i>	<i>EL 1574</i>	
Balance, July 1, 2010	327,237	-	959,447	159,352	418,938	-	-	62,208	163,740	2,090,922
Camp and field costs	330,147	10	31,979	13,264	2,113	11,135	13	12,202	7,273	408,136
Charter hire	280,234	-	159,184	14,402	-	-	-	42,494	-	496,314
Drilling	233,721	-	-	-	-	-	-	-	-	233,721
Geological and other consulting	131,502	1,479	50,633	43,602	31,430	16,870	1,781	18,927	11,560	307,784
Geochemistry	62,869	-	6,113	7,909	-	4,022	-	3,854	3,729	88,496
Geophysics	492,635	-	217,952	116,696	389,244	133,581	-	65,984	-	1,416,092
Tenement expense	-	-	2,042	4,286	5,585	-	2,044	2,178	7,464	23,599
Project costs	108,157	4,298	68,688	32,551	35,254	10,331	4,340	15,580	13,598	292,797
Travel	70,973	217	1,915	1,869	330	238	217	244	240	76,243
Freight	147,855	148	47,644	4,973	73,177	298	150	2,271	685	277,201
Stock-based Compensation	75,892	-	26,866	30,434	14,622	12,412	-	20,531	5,514	186,271
	1,933,985	6,152	613,016	269,986	551,755	188,887	8,545	184,265	50,063	3,806,654
Balance June 30, 2011	2,261,222	6,152	1,572,463	429,338	970,693	188,887	8,545	246,473	213,803	5,897,576



7. Exploration and Evaluation Assets (continued)

Title to Exploration and Evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its Exploration and Evaluation assets and, to the best of its knowledge, title to its property are in good standing under the Mining Act 1992 of the Independent State of Papua New Guinea. The State of Papua New Guinea may elect at the time a "Special Mining Licence" is granted to acquire up to a 30% participating interest in mining projects on a fully contributing basis. Certain exploration and development activities of the Company are conducted jointly with others. These financial statements reflect only the Company's interest in these tenements.

New Hanover

The Company owns a 100% interest in the New Hanover license located 100 km west of the New Ireland provincial capital in the south-western portion of the island. The project is comprised of two exploration licenses (EL 1566 – New Hanover & ELA 1856 - Lavongai) covering 594km² situated in the Lihir-Tabar mineralization belt. Through its ground exploration, aerial and ground IP surveys the company identified a highly prospective anomaly at the Kuliuta prospect. The company completed a 2,583m drilling program there in November, 2011. The Metewoi prospect, located 4km southeast of Kuliuta, covers approximately 6km² where significant gold and copper results from outcrop samples have identified the exploration potential for high-sulphidation epithermal gold and porphyry copper-gold mineralization.

Mt. Suckling

The Company owns a 100% interest in the Mt. Suckling license, 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. The project is comprised of two exploration licenses (EL 1424 – Mount Suckling & EL 1618 Upper Ada'u River) covering 360 km². PPM has identified three gold-copper porphyries within an 18km trek along the Keveri Fault Zone. Drill targets have been selected with the assistance of 3D IP and aero-mag surveys completed in the past year and the drilling program was completed in March 2012 on the Urua Creek prospect. Doriri Creek is a unique prospect in that it is a low temperature hydrothermal accumulation of nickel, platinum and palladium. A 150m drill program commenced in April 3, 2012. A total of four holes were drilled and the program was completed April 23, 2012.

Waria River

The Waria River project comprises four exploration licenses PPM earning 50% interest (EL 1271 – Waria River & EL 1732 – Ondowa Creek): PPM 100%) (EL 1683 – Goroa East and ELA 1943 – Bowutu Mountains): covering 731km² in the Central New Guinea Range. The Company entered into a farm-in agreement on the Waria River tenements (EL 1271, EL 1732 EL 1943) with Petromin PNG Holdings in July 2008. The Company has earned a 50% interest in the licences with expenditures commitments of \$1.2m having been met in September, 2011. For, The Company can earn further 10% interest with an additional \$500,000 expenditure.

Bewani Mountains

The Bewani Mountains project is located near Killifas Village in Western Province. The project comprises one exploration license (EL 1574 – Bewani Mountains) covering 168 km². (See Note 16. Subsequent Events)

Papuan Precious Metals Corp.

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8. Accounts Payable and Accrued Liabilities

Due within the year	March 31, 2012	June 30, 2011	July 1, 2010
	\$	\$	\$
Trades Payable	357,123	80,494	342,796
Accrued Liabilities	116,291	533,334	36,128
	473,414	613,828	378,924

9. Reverse Take-over

On September 28, 2010 Jalna Minerals Ltd ("Jalna") and Papuan Precious Metals Corp. ("Papuan") amalgamated under the name Papuan Precious Metals Corp ("the Company"). From an accounting perspective, Papuan is considered to have acquired Jalna, and hence the transaction has been recorded as a reverse takeover. The transaction has been accounted for as a business combination using the purchase method of accounting. The purchase price has been determined based on the number of shares that PPM would have had to issue on the date of closing to give the owners of Jalna the same percentage equity of the combined entity as they hold subsequent to the amalgamation.

For financial reporting purposes:

(a) the Company is considered to be a continuation of Papuan, the legal subsidiary except with regard to the authorized and issued share capital, which is that of Jalna, the legal parent.

(b) the Retained Earnings (Deficit) and other equity balances are the Retained Earnings (Deficit) and other equity balances of Papuan immediately prior to the transaction.

(c) the Assets and Liabilities of the legal subsidiary are recognized and measured at their pre-transaction carrying amounts and the net assets of the Company have been measured at their estimated fair value.

(d) comparative information presented in these Consolidated Interim Financial Statements is that of Papuan.

Pursuant to a share exchange agreement with an effective date of September 29, 2010, Jalna and Papuan formed a newly amalgamated company under the name "Papuan Precious Metals Corp." For each Papuan share issued and outstanding on September 29, 2010, (21,934,023) one common share in the new company was issued. For every four Jalna common shares issued and outstanding (24,182,291) on that date, one new PPM common share was issued (6,045,573). On July 6, 2010, Jalna completed the first tranche of a private placement whereby Jalna issued 22,452,003 subscription receipts for units in the amalgamated company. For each subscription receipt issued and outstanding on September 29, 2010, one common share of PPM and one warrant was issued having an exercise price of \$0.40 over 3 years.

The transaction has been measured based on the fair value of shares that PPM would have had to issue on the date of closing to give the owners of Jalna the same percentage equity of the combined entity as they hold subsequent to the amalgamation. Pursuant to the reverse takeover transaction, the legal subsidiary was deemed to have issued shares with an estimated fair value of \$8,524,273 and acquired net assets of the company with a fair value at \$6,006,811 comprising of cash of \$6,237,562 and (then) current liabilities of \$230,752.

Papuan Precious Metals Corp.

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10. Share Capital and Reserves

The Company is authorized to issue an unlimited number of common shares without par value.

(a) Private Placement Financings

July 6, 2010: Jalna Minerals Ltd completed the first tranche of a non-brokered Private Placement financing pursuant to the reverse take-over agreement. There were 22,452,003 subscription receipts issued for units of the proposed amalgamated company (PPM) at a price of \$0.30 per unit and gross proceeds were \$6,735,601. Each unit consisted of the right to one PPM common share and one full purchase warrant with an exercise price of \$0.40 for a period of 3 years. The subscription receipts were exchanged for common shares in the Company on September 29, 2010. A value of \$2,438,281 was attributed to the warrants using relative fair value approach and is determined based on the Black-Scholes pricing model and included in contributed surplus using the assumptions of: volatility 99.17%; risk free interest 1.59%; expected life 3 years and dividend rate 0%. The Company paid agents' commissions of \$408,278, \$49,637 in fees and issued 1,360,928 broker warrants exercisable at \$0.40 per share for a period of 3 years. A value of \$231,358, included in contributed surplus, was attributed to the broker warrants based on the Black-Scholes pricing model using the assumptions of: volatility 99.17%; risk free interest 1.59%; expected life 3 years and dividend rate 0%.

October 15, 2010: the Company completed the second and final tranche of a non-brokered Private Placement and raised \$1,000,000 with 3,333,334 units issued at a price of \$0.30 per unit. Each unit consisted of one PPM common share and a full warrant exercisable for one common share at \$0.40 for a period of 3 years. A value of \$337,370 was attributed to the warrants and is included in contributed surplus calculated using the Black-Scholes model based on the following assumptions: volatility 99.33%; risk free interest 1.59%; expected life 3 years, dividend rate 0%. The Company paid agents' commissions of \$19,464, \$42,862 in additional fees and issued 64,878 broker warrants exercisable at \$0.40 per share for a period of 3 years. A value of \$12,975, included in contributed surplus, was attributed to the broker warrants based on the Black-Scholes pricing model. The calculation used the following assumptions: volatility 99.33%; risk free interest 1.59%, expected life 3 years, dividend rate 0%.

March 8, 2011: A private placement financing of 15,600,002 units at a price of \$0.45 per unit raised \$7,020,000. 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 \$0.55 for a period of 1 ½ years. The warrants are subject to an acceleration clause whereby if the common share price is equal to or greater than \$1.00 for a period of 10 consecutive trading days, the Company may by notice to the warrant holder; reduce the remaining exercise period applicable to the warrants to not less than 30 days from the date of such notice. A value of \$1,716,000 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 93.07%; risk free interest 1.63%; expected life 1 ½ years, dividend rate 0%. Finder's Fees of \$468,681 and fees of \$29,990 were paid. Additionally, 1,041,514 broker warrants were granted where each warrant is exercisable to purchase one common share at \$0.55 per share for a period of one year. A value of \$847,572, included in contributed surplus, was attributed to the broker warrants based on the Black-Scholes pricing model. The calculation used the assumptions of: volatility of 93.97%, risk free interest 1.39%, expected life 1 year, dividend rate 0%. The warrants are subject to an acceleration clause whereby if the common share price is equal to or greater than \$1.00 for a period of 10 consecutive trading days, the Company may, by notice to the warrant holder reduce the remaining exercise period applicable to the warrants to not less than 30 days from the date of such notice.

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(b) Stock options and warrants

The Company has a share-holder approved stock option plan which allows the Board of Directors to grant stock options to directors, officers, employees, contractors and consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of five years and vesting terms are determined by the Board of Directors at the date of grant.

At March 31, 2012, share purchase Warrants and incentive Stock Options outstanding are:

Warrants				
Date issued	Exercise Price	Shares Issuable	Expiry Date	
	\$			
July 6, 2010	0.40	23,705,231	July 6, 2013	
October 15, 2010	0.40	3,398,211	October 15, 2013	
March 8, 2011	0.55	7,800,002	September 9, 2012	
		34,903,444		

Stock Options				
Issue Date	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
		\$		
October 15, 2010	3,920,000	0.30	1,835,000	October 15, 2013
July 8, 2011	950,000	0.40	237,500	July 8, 2014
	4,870,000		2,072,500	

Stock Options	Number of Shares Issuable Upon Exercise	Weighted average exercise price	Number of Shares Issuable Upon Exercise	Weighted average exercise price
		\$		\$
Outstanding, July 1, 2010	-	-	-	-
Granted	4,570,000	0.30	36,052,658	0.44
Exercised	-	-	(4,200)	0.40
Forfeited	(650,000)	0.30	-	-
Outstanding, June 30, 2011	3,920,000	0.30	36,048,458	0.44
Granted	1,100,000	0.40	-	-
Exercised	-	-	(111,123)	0.41
Forfeited	(150,000)	0.40	(1,033,891)	-
Outstanding, March 31, 2012	4,870,000	0.30	34,903,444	0.44

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(c) Share-based Compensation

During the nine months ended March 31, 2012, the Company granted 1,100,000 options (2010 – 4,570,000). Pursuant to the granting and vesting of options issued, total stock based compensation recognized in the statement of operations during the nine months ended March 31, 2012 was \$146,321 and \$49,250 was capitalized to Exploration and Evaluation asset (2011 – \$268,269 and \$Nil). This amount was also recorded as share-compensation reserves on the balance sheet. All options are recorded at fair value determined using the Black-Scholes option pricing model.

The following assumptions were used for the valuation of stock options:

	March 31, 2012	June 30, 2011	March 31, 2011
Annualized Volatility	96.75% - 99.5%	99.17%	96.75%
Risk Free interest rate	1.77%	1.59%	1.78%
Expected Life - Years	3	3	3
Dividend Rate	0%	0%	0%

11. Supplemental Disclosure with respect to Cash Flows

	March 31, 2012	June 30, 2011	July 1, 2010
	\$	\$	\$
Cash	193,330	1,704,564	36,899
Redeemable term deposits	2,599,000	7,830,181	-
	2,792,330	9,534,745	36,899

There were no cash payments for interest or income taxes during the nine months ended March 31, 2012 and March 31, 2011.

Significant non-cash transactions for the nine months ended March 31, 2012 included:

- (a) Incurring exploration and evaluation assets related expenditures of \$355,731 through accounts payable and accrued liabilities;
- (b) Reclassifying \$18,967 from other capital reserves to share capital on exercise of warrants;
- (c) Recognizing stock-based compensation of \$328,892

Significant non-cash transactions for the nine months ended March 31, 2011 included:

- (a) Reclassifying \$2,436,281 from share capital to other capital reserve for warrants included in share units issued; and
- (b) Reclassifying \$231,358 from share issue costs to reserve for the proportionate share of broker warrants included in the share units issued.

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12. Related Party Transactions

The company has identified its directors and certain senior officers as its key management personnel. The comprehensive costs for key management personnel for the nine months ended March 31, 2012 and 2011 are as follows:

	March 31, 2012	March 31, 2011
	\$	\$
Wages and consulting fees paid to key management personnel	365,000	360,500
Share-based payments for options granted to key management personnel	165,693	190,800
	530,693	551,300

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

Included in accounts payable at March 31, 2012 is \$27,114 (March 31, 2011 - \$NIL) owing to officers and companies controlled by a director for consulting fees, deferred exploration, general and administrative costs. These 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.

13. Segmented Information

The Company operates under one business segment being the exploration of mineral property interests operating in two different geographical locations; Canada and Papua New Guinea. The loss from operations for the periods ended June 30, 2011 and 2010 are considered to be solely related to this segment.

Total assets by geographic area are as follows:

	March 31, 2012		June 30, 2011		July 1, 2010	
	Canada	Papua New Guinea	Canada	Papua New Guinea	Canada	Papua New Guinea
	\$	\$	\$	\$	\$	\$
Property and equipment	14,861	95,798	13,947	114,376	-	18,873
Exploration and evaluation assets	-	10,904,233	-	5,711,308	-	2,090,922
	14,861	11,000,031	13,947	5,825,684	-	2,109,795

14. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the Statement of Shareholders' Equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash, cash equivalents, and short-term investments. The issuance of common shares requires approval of the Board of Directors.



In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets, to pursue joint venture and farm-out agreements to fund sustained exploration of its exploration and evaluation assets and the future growth of the business.

15. Financial Instruments and Risk Management

IFRS-7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities

Level 2: inputs other than quoted direct prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities. For cash and cash equivalents, amounts receivable and payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

Cash and cash equivalents and short-term investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of comprehensive loss.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and foreign exchange risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

(a) Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to Credit Risk. Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to trade and other receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from:

1. cash and cash equivalents;
2. short-term investments; and
3. amounts receivable.

The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At March 31, 2012 and 2011, the Company has no financial assets that are past due or impaired due to credit risk defaults.

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The Company's maximum exposure to credit risk is minimal as cash and cash equivalents are deposited with reputable financial institutions, the balances of which are as follows:

	Class Level	March 31, 2012	June 30, 2011	July 1, 2011
		\$	\$	\$
Cash and cash equivalents	1	2,792,330	8,904,745	5,256,051
Amounts receivable	3	49,274	20,245	37,469
		2,841,604	8,924,990	5,293,520

(b) Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its Liquidity Risk by maintaining sufficient cash and cash equivalents and short-term investment balances to meet its anticipated operational needs which are continuously monitored by management.

The Company's financial liabilities, consisting of Accounts Payable and Accrued Liabilities, arose as a result of expenditures directly related to exploration of its Exploration and Evaluation assets and other corporate expenses. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and generally do not bear interest.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

	\$	\$	\$
Accounts payable and accrued liabilities	473,414	613,827	471,645

(c) Market Risk

Market Risk is the risk that the fair value for assets classified as held-for-trading and available-for-sale or future cash flows for assets or liabilities considered to be held-to maturity, other financial liabilities and loans or receivables of a financial instrument will fluctuate because of changes in market conditions. The Company evaluates market risk on an ongoing basis and has established policies and procedures for mitigating its exposure to foreign exchange fluctuations. The Company is not exposed to interest rate risk, as it does not hold debt balances and is not generally charged interest on its accounts payable balances.

(d) Foreign Exchange Risk

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the functional currency of the Company is Canadian dollars, the Company also conducts business in Papua New Guinea Kina ("PGK"), US Dollars ("US") and Australian Dollars ("AU"). The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. However, although the Company's costs are primarily incurred in Canadian dollars any change in the value of PGK, US and AU against the Canadian dollar can affect the costs of operations

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and capital expenditures. The Company maintains its cash balances primarily in Canadian dollars and exchanges currency to meet its foreign currency obligations on an as needed basis, thereby reducing the exchange risk on cash balances.

The Company is exposed to currency risk through the following Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars:

	March 31, 2011		June 30, 2011		July 1, 2010	
	AU	PGK	AU	PGK	AU	PGK
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	3,087	58,645	56,349	28,157	11,609	13,976
Accounts payable and accrued liabilities	-	(426,094)	-	(346,019)	-	(115,643)
	3,087	(367,449)	56,349	(317,862)	11,609	(101,667)

Based on the above net exposures at March 31, a 10% change in Australian dollar against the Canadian dollar would result in a \$332 (March 31, 2011 \$2,186) change in the Company's net loss; similarly a 10% change in the PGK against the Canadian dollar would result in a \$5,864 (March 31, 2011 - \$14,464) change in the Company's net loss.

16. Subsequent events

The Company submitted notification to the PNG Mining Resource Authority to relinquish Exploration and Evaluation asset EL 1574 Bewani Mountains effective May 17, 2012. It was determined by management to have a minimal exploration potential.