



**Management's Discussion and Analysis**

**Papuan Precious Metals Corp.**

**For the Nine Months Ended March 31, 2012**

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# Papuan Precious Metals Corp.

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## Overview

The Management Discussion and Analysis ("MD&A") of the financial position and results of operations of Papuan Precious Metals Corp. ("the Company" or "PPM") and its subsidiary, as prepared at May 23, 2012, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the nine months ended March 31, 2012. The reader should also refer to the audited consolidated financial statements for the year ended June 30, 2011 as well as the Management's Discussion and Analysis for that year.

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The Company's 2011 comparatives contained in this MD&A have been presented in accordance to IFRS. All dollar amounts included in the following MD&A are expressed in Canadian dollars except where noted.

The condensed consolidated interim financial statements for the nine months ended March 31, 2012 will form part of the Company's first consolidated financial statements prepared in accordance with IAS 34 and IFRS for the year ended June 30, 2012. The accounting policies have been selected to be consistent with IFRS as expected to be effective on June 30, 2012, the Company's first annual IFRS reporting date. The financial statements do not include all of the information required for full annual consolidated financial statements and are therefore considered "condensed".

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

## Forward-Looking Statements

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Such statements are not guarantees of future performance. Readers are cautioned not to put 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 with the amalgamation of Papuan Precious Metals Corp. ("Papuan") and Jalna Minerals Ltd. on September 28, 2010. Trading on the TSX Venture Exchange commenced on October 1, 2010 under the symbol: PAU.V. Effective November 8, 2010 22,452,003 warrants of the Company commenced trading on the TSX Venture Exchange under the symbol: PAU-WT. On January 18, 2011 PPM began trading under the symbol "PAUFF" on the OTCQX.

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 Exploration and Evaluation assets and to finance their exploration and potential development by way of equity financing, joint venture, option agreements or by other means.

Papua New Guinea is host to some of the world's largest deposits and most prolific producers of copper and gold. The properties acquired by the Company in PNG were selected based on three fundamental criteria: 1) the properties had to have significant geological merit and potential. 2) the properties had to have logistical merit as any potential mine would have to be relatively accessible while considering the lack of infrastructure common throughout the country. 3) the properties had to be held by landowners who are receptive and supportive of exploration and the potential mining on their traditional lands.

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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.

To date, the Company is considered to be in the exploration stage and has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically viable. 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 or proceeds from the disposition thereof. The Company has not generated significant revenues from operations.

### 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 is comprised of two exploration licenses (EL 1566 – New Hanover & ELA 1856 - Lavongai) covering 591.6 km<sup>2</sup>. The Company has identified 11 mineral prospects within the tenements and early results indicate that New Hanover is geologically related to the highly productive Tabar-Lihir-Feni island chain of alkaline volcanism. Access to the island is via boat or helicopter. Detailed geological mapping, sampling and surveying will continue on the 11 geochemical/alteration/geophysical anomalies identified for follow-up.

**Kuliuta:** the prospect is located 7 km inland from the south coast of New Hanover. Detailed mapping of creek geology, existing bulldozer trenches and grid soil geochemistry were completed. A 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 intersected a high-level latite stock containing native and sulphide copper 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. PPM believes that Kuliuta represents a significant porphyry copper target for the following reasons:

- Peripheral breccia swarms, some of which are narrowly gold and copper mineralized;
- Extensive hypogene haematization (oxidation) that both caps La'mau'sing Mountain and is present in the sub-surface;
- The presence of both hypogene (or primary) native copper, varying from trace to locally high (visual estimates) concentrations, and sulphide copper as disseminations, stockworks and void-fillings over long drill intervals below the tested southern flanks of La'mau'sing Mountain;
- Long intervals of latite and pyroclastic breccia with porphyry-style argillization (illite-quartz-pyrite) as well as zones of brecciation and hypogene haematite flooding. Haematite flooding with blebs of native copper persists to downhole to a depth of 480m (KUD011).

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.

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**Metewoi:** located 4km southeast of Kuliuta covering approximately 6km<sup>2</sup>, significant gold and copper results from outcrop samples have 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 during the first half of the 2012 fiscal year.

**Mt. Suckling:** The Mt. Suckling project (EL 1424 – Mount Suckling & EL 1618 - Upper Ada'u River) is situated at the eastern end of New Guinea's Central Range covering 316km<sup>2</sup>. The Company has identified three prospective porphyry prospects in a linear belt some 19 km long and localized within the wide trace of the Keveri Fault Zone, part of the once active plate boundary between the Australian and Pacific plates. The three porphyry prospects include Urua Creek, Ioleu Creek and Araboro Creek. The Doriri Creek hydrothermal Ni-PGE prospect is also located in the trace of this structure, 8 km west of the Urua Creek prospect. Fieldwork programs at Ioleu Creek, Araboro Creek and Urua Creek and airborne geophysical survey were completed with three potential porphyry systems identified.

**Urua Creek:** A significant chargeability anomaly has been identified by a 3D-Induced Polarization ground geophysical survey and is found within a 1700m x 900m breccia which hosts the gold and copper mineralization. Drill targets were defined utilising this airborne geophysical data in conjunction with data from PPM's previously completed soil and rock sampling and further supported by ground 3D induced polarization ("3D IP") surveys at the Urua Creek prospect. The company began a helicopter supported three-hole drill program in November, 2011. This was completed in February, 2012 with encouraging results from holes two and three. Results on the second hole showed grade intercepts as high as 3.49% Cu and 13.59g/t Au.

**Ioleu Creek:** Results were received from 25 rock samples collected at the Au-Cu prospect with 80% of the samples yielding copper values greater than 1%. Six reconnaissance 3D IP survey lines have been completed and the interpretation of survey results has been used to define drill targets.

**Araboro Creek:** Geochemical results from 57 rock samples were collected at the prospect which is a series of circular structures some 4 km in diameter located midway between the Urua and Ioleu Creek Au-Cu prospects. A highlight of the sampling was the collection of a mineralised rock float sample from the centre of the circular feature assaying 1.16% Cu. The Company plans to further investigate the potential for porphyry-style mineralization with additional stream traversing, mapping and sampling.

**Doriri Creek:** This is a unique prospect in that it is a low temperature hydrothermal accumulation of nickel, platinum and palladium with no other known and documented occurrence. A collaborative investigation report on this prospect contracted to Australia's Commonwealth Scientific & Industrial Research Organization (CSIRO) was received in November 2011. The study concluded that mineralization formed as a result of episodic hydrothermal fluids rising through a prominent near-vertical structure. Fluid circulation resulted in nickel concentration. Nickel grades as high as 1.55% in a spot sample from a zone up to ~15m wide and ~500m long were concentrated in chlorite mica and serpentine group minerals and iron oxide mineralogies. The nickel mineralogy is also accompanied by high concentrations of phosphorous minerals, palladium and platinum.

A 150m drill program commenced in April 3, 2012. A total of four holes were drilled and the program was completed April 23, 2012. Encouraging results from assays received to date on holes one and two positively identified near surface Ni-PGM mineralization grading 1.08% Ni, 0.52g/t PGM in the 10-15m wide and 520m<sup>+</sup> long Doriri Creek Lode. Assays from holes 3 and 4 are expected to be released in June, 2012.

**Dimidi Creek:** Further field work will be conducted on the prospect where, as a result of the airborne geomagnetic survey, a 2.5km x .75km radiogenic potassium anomaly has been identified.

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**Waria River:** The Waria River project comprises four exploration licenses (EL 1271 – Waria River & EL 1732 – Ondowa Creek, PPM earning 50% interest; EL 1683 – Goroa East and ELA 1943 – Bowutu Mountains, 100% PPM) covering 731 km<sup>2</sup> in the Central New Guinea Range. The project is underlain by a similar geology as that found at the Mt. Suckling project. The Waria River tenements straddle the trace of the Owen Stanley Fault Zone and, in part, the Timeno Fault. The Owen Stanley Fault Zone is contiguous with the Keveri Fault Zone, some 350 km to the southeast.

The Waria River project is located in the Central New Guinea Range, one of the world's premier porphyry copper belts, and presents an outstanding opportunity to locate Au-Cu porphyry-style mineralisation similar to that of the nearby deposits. Located along what, at one time, was one of the main overland routes to the early 20th century gold rushes at Wau, Edie Creek and Bulolo, where the presence of abundant alluvial gold in many of the Waria River tributaries has long been established.

The Company entered into a farm-in agreement with Petromin PNG Holdings Ltd ("Petromin") and its wholly owned subsidiary Tolukuma Gold Mines Limited ("TGM" - holding EL 1271, located in Morobe and Northern Provinces). The 2008 agreement enables the Company to earn a minimum 50% participating interest in EL 1271 for an expenditure of C\$1.2m over three years. This commitment has been met as of October 15, 2011. If Petromin elects not to contribute to ongoing funding to maintain its' 50% participating interest, PPM may earn up to 60% participating interest in the tenement by a further expenditure of \$500,000 by the end of the agreements' fourth year.

A 3,179 line-km airborne survey has been completed augmented by creek traversing and rock sampling. Further field work was conducted in the Ondowa Creek area where Cu-Au mineralization in outcrop was identified, with Cu samples as high as 1.74 %, indicating the potential of a highly prospective area for Au-Cu porphyry style mineralization. The geochemical results from 101 rock samples collected during follow-up prospecting of airborne geophysical anomalies were released on November 29, 2011. The best sample was collected from float and assayed 10.49% Cu, 0.33g/t Au and 10.0g/t Ag. Twenty percent of samples contained anomalous copper values >0.1% Cu. A complete summary of copper, gold, and silver sampling results are shown on the Company website.

**Bewani Mountains:** The Bewani Mountains project (EL 1574) is located near Kilifas Village in Western Province. In April, 2012 field work was completed which was focused on the argillised diorites shedding from tributaries of the upper Yenabu River, draining the Kilifas Range. Sampling has returned Cu values to 0.3%.

Subsequent to the nine months ended March 31, 2012, the management of the company has conducted a review of EL 1574 – Bewani Mountains and concluded that the potential it holds is limited and as such, the tenement is to be officially relinquished on May 29, 2012. Therefore a loss on disposal of the carrying value of the property at the time will be recorded in statement of comprehensive loss in the fourth quarter, 2012.

The following table illustrates the Company's current Exploration Leases (ELs) located in PNG as at March 31, 2012:

	<b>Tenement</b>	<b>Minerals</b>	<b>Ownership</b>	<b>Carrying Value</b>
EL 1566	- New Hanover	<i>Au-Cu</i>	PPM 100%	\$ 4,644,942
ELA 1856	- Lavongai	<i>Au-Cu</i>	PPM 100%	17,675
EL 1424	- Mt Suckling	<i>Au-Cu, PGE-Ni</i>	PPM 100%	3,876,947
EL 1618	- Upper Ada'u River	<i>Au-Cu, PGE-Ni</i>	PPM 100%	463,327
EL 1271	- Waria River	<i>Au-Cu, PGE</i>	Petromin 'Farm-in'	1,166,107
EL 1732	- Ondowa Creek	<i>Au-Cu, PGE</i>	Petromin 'Farm-in'	207,979
EL 1683	- Goroa East	<i>Au-Cu, PGE</i>	PPM 100%	267,300
ELA 1943	- Bowutu Mountains	<i>Au-Cu, PGE</i>	PPM 100%	18,371
EL 1574	- Bewani Mountains	<i>Au-Cu, PGE</i>	PPM 100%	241,586
				\$ 10,904,235

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### Summary of Quarterly Results (unaudited):

Quarter Ended	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011 <sup>1</sup>
Total Assets	\$ 13,971,269	\$ 14,428,114	\$ 15,049,304	\$ 14,812,925
Working capital□	2,466,176	3,999,653	6,427,919	8,359,467
Net income (loss) for the period	(346,207)	(356,189)	(453,864)	(183,507)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

Quarter Ended	March 31, 2011 <sup>1</sup>	December 31, 2010 <sup>1</sup>	September 30, 2010 <sup>1</sup>	June 30, 2010 <sup>1</sup>
Total Assets	\$ 14,407,439	\$ 8,224,708	\$ 8,564,159	\$ 2,173,958
Working capital□	10,090,332	5,197,777	5,812,336	(639,081)
Net income (loss) for the period	(643,373)	(345,082)	(2,881,088)	(175,083)
Basic and diluted loss per common share	(0.01)	(0.08)	(0.01)	(0.01)

<sup>1</sup>Prepared in accordance with Canadian GAAP

### 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 loss for the nine months ended March 31, 2012 was \$1,156,058 compared to the nine months ended March 2011 loss of \$4,082,284. The loss at March 31, 2011 includes a \$2,477,462 charge for listing expensed recognized on the amalgamation with Jalna Minerals Ltd. Stock-based compensation, consulting fees and professional fees were all lower in the period ended March 31, 2012 compared to the previous year.

Significant expenditures in the nine months ended March 31, 2012 are attributed to audit fees and share-based compensation. The current period also included costs associated with an investor awareness campaign conducted through business development activities, investor communications and trade shows. Other significant costs were incurred for consulting fees and salaries, along with regulatory and transfer agent fees related to public company regulation and reporting.

### 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 recoverable. 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 expects to rely upon equity financing and/or joint venturing project development as primary sources of funding.

At March 31, 2012, the Company had cash and cash equivalents of \$2,792,330. The Company also had a positive working capital balance of \$2,482,176. At June 30, 2011, the Company had cash and cash equivalents of \$8,904,745, and a positive working capital balance of \$8,359,467. At March 31, 2011, the Company had cash and cash equivalents of \$10,386,102 and a positive working capital balance of \$10,090,322.

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The Company does not have significant concerns about the liquidity of its current assets as the term deposits included in cash and cash equivalent are redeemable at any time and are therefore readily available to the Company.

The Company's accounts payable and accrued liabilities at March 31, 2012 were \$473,414 compared to \$613,827 as at June 30, 2011 and at March 31, 2011 \$394,183.

The unaudited condensed consolidated interim financial statements for the nine months ended March 31, 2012 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 continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

### Related Party Transactions

During the nine months ended March 31, 2012 the Company identified its directors and certain senior officers as its key management personnel. The compensation 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
	<b>530,693</b>	551,300

Included in accounts payable at March 31, 2012 is \$27,114 (March 31, 2011 - \$nil) for consulting and directors fees owing to officers, and companies controlled by officers. 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. Share-based payments represent the fair value calculations of options granted to key management personnel in accordance with IFRS 2: *Share-based Payments*.

### Outstanding Share Data

As at May 29, 2012 the Company has 69,480,256 common shares issued and outstanding, 4,870,000 incentive stock options outstanding with exercise prices ranging from \$0.30 to \$0.40 per share and 34,903,444 share purchase warrants outstanding with an exercise price from \$0.40 to \$0.55 per share.

### Reverse Take-over

On September 28, 2010 Jalna Minerals Ltd ("Jalna") and Papuan Precious Metals Corp. ("Papuan") amalgamated under the 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.

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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 (Papuan and Jalna) have been measured at their estimated fair value.
- (d) comparative information presented in the condensed consolidated interim financial statements is that of Papuan.

### 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 \$2,436,281 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 of 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 of 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: a volatility of 99.33%; risk free interest at 1.59%; expected life of 3 years and a dividend rate of 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 and 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, reducing the remaining exercise period applicable to the warrants to not less than 30 days from the date of such notice. A value of \$1,225,715 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 and a dividend rate 0%. Finder's Fees of \$468,681 and fees of \$29,990 were paid. Additionally, 1,041,514 broker warrants were granted

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where each warrant is exercisable to purchase one common share at \$0.55 per share for a period of one year. These warrants have since expired. A value of \$187,472, 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 and a 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.

### Financial Instruments

The Company has classified 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 amortize costs.

### Critical Accounting Estimates

The preparation of condensed consolidated interim 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 expenditure, 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 valuation model which requires significant judgment as to considerations such as stock option lives and stock volatility. A summary of the Company's significant account policies is included in note 2 of the financial statements for the nine months ended March 31, 2012.

### Recent Accounting Pronouncements

The condensed consolidated interim financial statements for the three months ended September 30, 2011 are the Company's first condensed consolidated interim financial statements prepared in accordance with IAS 34: *Interim Financial Reporting*. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on June 30, 2012, the Company's first annual IFRS reporting date. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and are thus considered "condensed". Previously, the Company prepared its interim and annual financial statements in accordance with Canadian GAAP.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out in the Company's financial statements have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at July 1, 2010 (the "Transition Date") as required by IFRS 1: *First Time Adoption of International Financial Reporting Standards*.

### Impact of Adopting IFRS and Key IFRS Accounting Policies

Exploration and Evaluation assets

IFRS 6: *Exploration for and Evaluation of Mineral Resources* does not prescribe accounting treatment to capitalize or expense exploration and evaluation expenses. Therefore, the Company expects to continue its current policy of capitalizing exploration and evaluation expenses.

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### Share-based compensation

The methodology to calculate share-based payments under IFRS 2: *Share Based Payment* differs from Canadian GAAP. IFRS 2 requires a separate fair value calculation for each tranche of stock options being vested. This will likely result in accelerated amortization charges and changes to the Company's calculation of share-based compensation previously recorded.

### Functional currency

Under Canadian GAAP, financial statements of foreign operations are translated into functional currency using temporal method for integrated operations or current rate method for self-sustaining operations. Under IFRS, each foreign entity determines its own functional currency and the financial statements are translated into the presentation currency. IFRS has a greater emphasis on the currency of revenues and costs rather than financing in the determination of functional currency.

## Accounting Standards Effective January 1, 2012

- *Financial instruments disclosure*

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

- *Income taxes*

In December 2010, the IASB issued an amendment to IAS 12 – *Income Taxes* that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

(ii) 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 staff 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, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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- 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.

- *Interest in other entities*

IFRS 12 – *Disclosure of interest in other entities*: includes disclosure requirements about subsidiaries, joint ventures and associates as well as unconsolidated structured entities and replaces existing disclosure requirements. This standard will become effective for annual periods beginning on or after July 1, 2013. Earlier adoption is permitted. The Company will adopt this new standard as of its effective date of implementation. The Company is currently analyzing the possible impact of this standard on its consolidated financial statements.

- *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.