Papuan Precious Metals Corp.

Management's Discussion and Analysis

For the Six Months Ended

December 31, 2013

Overview

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Papuan Precious Metals Corp. ("the Company" or "PPM"), as prepared at February 7, 2014, should be read in conjunction with the condensed interim consolidated financial statements and related notes for the three and six months ended December 31, 2013. The reader should also refer to the Audited Consolidated Financial Statements and the Management's Discussion and Analysis as at June 30, 2013.

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

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

Forward-Looking Statements

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

Description of Business

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

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

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

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

The accompanying condensed interim consolidated financial statements for the three and six months ended December 31, 2013 have been prepared on a going concern basis which assumes that the Company will be able to realize it's assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is actively pursuing joint venture partners and has minimized its exploration activities and over-all operations in an effort to conserve cash.

The Company had cash and cash equivalents of $563,282 as at December 31, 2013 with a positive working capital balance of $445,090. In the prior year, the Company had cash and cash equivalents of $1,048,473 and a positive working capital balance of $938,702. The change in cash and working capital is primarily due to general and administration expenditures which have been significantly reduced over the course of the past year. The Company's exploration program has been minimized until such time as improvements in the market are evident.

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

Accounts payable and accrued liabilities at December 31, 2013 were $211,313 compared to $155,967 as at December 31, 2012. The increase is due primarily from accrued salaries and fees payable to related parties.

Summary of Quarterly Results (unaudited):

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

Quarter Ended	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Total Assets	$ 11,725,155	$ 12,727,495	$ 12,926,512	$ 13,971,269
Working capital	983,702	1,258,188	1,539,622	2,466,176
Net income (loss) for the period	(716,730)	(191,206)	(1,014,755)	(346,207)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

Selected Annual Information (audited):

For the year ended June 30,	2013	2012	2011
Net loss and comprehensive loss	**$ (7,047,382)**	$ (2,171,015)	$ (3,780,960)
Total assets	**5,754,980**	12,926,512	14,999,194
Total liabilities	**170,000**	212,771	613,827
Shareholders Equity	**5,584,980**	12,713,741	14,385,367
Basic and diluted loss per common share	**($0.10)**	($0.03)	($0.06)

Overall Performance

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

The Company's net and comprehensive loss for the six months ended December 31, 2013 was $261,736 compared to the corresponding previous period loss of $907,936 in 2012.

Office and Administration, professional fees, public relations and communications, share-based compensation and wages and benefits were all significantly lower due to the reduced levels of operations in the current period. The loss in the six month period 2013 includes $1,814 on the disposal of equipment.

Exploration and Evaluation Assets

New Hanover: Located 100 km west of the New Ireland provincial capital of Kavieng on the island of New Hanover, the project encompasses 591.6 km^2 under exploration license ("EL") 1566 New Hanover. To date, the Company has identified 11 mineral prospects and early results indicate that New Hanover is geologically related to the highly productive Tabar-Lihir-Feni island chain of alkaline volcanism. Detailed geological mapping, sampling and surveying will continue on a select number of the 11 geochemical alteration/geophysical anomalies identified for follow-up. The primary areas of interest are:

Metewoi: Located approximately 4 km southeast of Kuliuta, and 2-4 km inland from the south coast of the island, it covers 8 km^2 of quartz-alunite lithocap rock, where 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 carried out during the 2012 fiscal year.

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

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

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

Mt. Suckling*:* The Mt. Suckling prospect is situated at the eastern end of New Guinea's Central Range east of Port Moresby on the southwest flanks of Mt. Suckling in Northern Province, PNG. The Company during the prior year sold an undivided 90% interest in the Mt. Suckling tenement and retained the remaining 10% as announced in a news release January 29, 2013. The Company also retains an entitlement to a 2% Net Smelter Royalty ("NSR"). Under the terms of the sale agreement, Suckling Minerals and its directors surrendered 5,344,791 common shares of the Company valued at $106,896. These shares are held in escrow pending finalization of the transfer with the Mining Resources Authority of Papua New Guinea. Suckling Minerals can purchase the remaining 10% of the property owned by the Company for $4.7m and they also have the option to purchase the 2% NSR for $2.0m.

The following table illustrates the Company's exploration licences as at December 31, 2013:

Tenement	Minerals	Ownership	Carrying Value	
EL 1566 - New Hanover	Au-Cu	PPM 100%	$	4,852,686
EL 1424 - Mt Suckling	Au-Cu, PGE-Ni	PPM 10%		-
Total Exploration and Evaluation Assets			**$**	**4,852,686**

Related Party Transactions

During the period ended December 31, 2013 the Company identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three and six months ended December 31, 2013 and 2012 are as follows:

	December 31, 2013		December 31, 2012	
Wages and consulting fees paid or payable to key management personnel	**$**	**150,000**	$	127,000
Share-based payments for options granted to key management personnel		**-**		26,781
	$	**150,000**	$	153,781

Included in accrued liabilities at December 31, 2013 is $ 102,000 (December 31, 2012 – Nil) for consulting fees owing to officers and directors and companies controlled by officers and directors. 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 February 7, 2014 the Company had 68,300,725 common shares outstanding with 4,165,260 shares held in escrow pursuant to the conditions for the sale of Mt Suckling. There are 600,000 incentive stock options outstanding with an exercise price of $0.40 per share and no purchase warrants outstanding.

Private Placement Financings

There were no financings during the six months ended December 31, 2013.

Financial Instruments

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

Critical Accounting Estimates

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

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

Significant Accounting Policies

A summary of the Company's significant accounting policies is included in Note 3 of the audited financial statements for the years ended June 30, 2013 and have been consistently applied to the financial statements for the six months ended December 31, 2013.

New Standards, Amendments and Interpretations

The IASB issued the following pronouncements that are effective for years beginning January 1, 2013 or later. The new accounting policies were adopted by the Company on July 1, 2013 and have had no significant effect on the Company's financial position and results of operations.

IAS 1 – Presentation of Financial Statements

IAS 24 – Related Party Disclosures

IFRS 7 - *Financial Instruments: Disclosures*

IFRS 10 – *Consolidated Financial Statements*

IFRS 12 – *Disclosures of Interests in Other Entities*

IAS 12 – Deferred Tax

IAS 28 – Investments in Associates

IFRS 9 – *Financial Instruments*

IFRS 11 – *Joint Arrangements*

IFRS 13 – *Fair Value Measurement*