



Papuan Precious Metals Corp.

Management's Discussion and Analysis

For the three Months Ended

September 30, 2013

Papuan Precious Metals Corp.

Management's Discussion and Analysis
For the Three Months Ended September 30, 2013



TSX.V: PAU

Overview

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Papuan Precious Metals Corp. ("the Company" or "PPM"), as prepared at November 19, 2013, should be read in conjunction with the condensed interim consolidated financial statements and related notes for the three months ended September 30, 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.pmpng.com, or by requesting further information from the Company's head office located in Kelowna, British Columbia, Canada.

Forward-Looking Statements

Statements in this report that are not historically based fact are forward looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably 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". On January 18, 2011 PPM began trading under the symbol "PAUFF" on the OTCQX; an international electronic trading system in the United States.

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.

Papuan Precious Metals Corp.

Management's Discussion and Analysis
For the Three Months Ended September 30, 2013



TSX.V: PAU

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 months ended September 30, 2013 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is actively pursuing joint venture partners and has minimized its exploration activities and over-all operations in an effort to conserve cash.

The Company had cash and cash equivalents of \$667,645 as at September 30, 2013 with a positive working capital balance of \$589,666. In the prior year, the Company had cash and cash equivalents of \$1,362,461 and a positive working capital balance of \$1,258,188. The change in cash and working capital is primarily due to office and administration expenditures which have been significantly reduced over the course of the past year.

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

Accounts payable and accrued liabilities at September 30, 2013 were \$188,525 compared to \$179,750 as at September 30, 2012.

Summary of Quarterly Results (unaudited):

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

Quarter Ended	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Total Assets	\$ 12,727,495	\$ 12,926,512	\$ 13,971,269	\$ 14,428,114
Working capital	1,258,188	1,539,622	2,466,176	3,999,653
Net income (loss) for the period	(191,206)	(1,014,755)	(346,207)	(356,189)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

Papuan Precious Metals Corp.

Management's Discussion and Analysis
For the Three Months Ended September 30, 2013



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 three months ended September 30, 2013 was \$117,964 compared to the corresponding previous period loss of \$191,206 in 2012.

Business development, public relations and communications, consulting fees, wages and benefits costs were all significantly lower due to the reduced levels of operations in the current period. Share-based compensation expense is considerably lower than in the previous period due to employee attrition and the resultant forfeiture of options. The loss in the three month period 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 km² under exploration license ("EL") 1566 New Hanover. To date, the Company has identified 11 mineral prospects and early results indicate that New Hanover is geologically related to the highly productive Tabar-Lihir-Feni island chain of alkaline volcanism. Detailed geological mapping, sampling and surveying will continue on a select number of the 11 geochemical alteration/geophysical anomalies identified for follow-up. The primary areas of interest are:

Metewoi: Located approximately 4km southeast of Kuliuta, and 2-4km inland from the south coast of the island, it covers 8km² 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-

Papuan Precious Metals Corp.

Management's Discussion and Analysis
For the Three Months Ended September 30, 2013



TSX.V: PAU

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 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 the 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.

Waria River: The Waria River project was comprised of 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 of 2008. The Company had earned a 50% interest in the licences with expenditures commitments of \$1.2m having been met in September, 2011. Management concluded that the area of exploration was no longer of interest after several years' exploration producing insignificant areas of further interest. As a result, the company relinquished the rights to the property in May of 2013. Previously, a charge of \$284,404 to comprehensive loss was recognized upon the relinquishment of EL 1683 Goroa East in June 2012.

PPM owned a 100% interest in EL 1683 Goroa East and ELA 1943 Bowutu Mountains. The relinquishment of EL 1683 Goroa East in June 2012 resulted in a charge of \$284,404 to net and comprehensive loss. In March 2013, the remaining Waria prospects were surrendered resulting in the Company writing down EL 1943 Bowutu Mountains with a charge to net and comprehensive loss of \$31,580.

The following table illustrates the Company's exploration licences as at September 30, 2013:

Tenement	Minerals	Ownership	Carrying Value
EL 1566 New Hanover	Au (Cu)	PPM 100%	\$ 4,845,258
EL 1424 Mt Suckling	Au-Cu, PGE	PPM 10%	-
Exploration and Evaluation Assets Total			\$ 4,845,258

Related Party Transactions

During the period ended September 30, 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 months ended September 30, 2013 and 2012 are as follows:

	September 30, 2013	September 30, 2012
Wages and consulting fees paid to key management personnel	\$ 75,000	\$ 85,000
Share-based payments for options granted to key management personnel	-	26,781
	\$ 75,000	\$ 111,781

Papuan Precious Metals Corp.

Management's Discussion and Analysis
For the Three Months Ended September 30, 2013



TSX.V: PAU

Included in accrued liabilities at September 30, 2013 is \$ 50,000 (September 30, 2012 - \$45,369) for consulting 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 November 19, 2013 the Company had 69,480,256 weighted average common shares outstanding with 5,344,791 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 three months ended September 30, 2013.

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. The Company paid agents' commissions of \$408,278, \$49,636 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.

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 \$370,370 was attributed to the warrants and is included in contributed surplus calculated using the Black-Scholes model based. The Company paid agents' commissions of \$19,464, \$54,268 in additional fees and issued 64,878 broker warrants exercisable at \$0.40 per share for a period of 3 years. A value of \$12,976, included in contributed surplus, was attributed to the broker warrants based on the Black-Scholes pricing model.

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 \$1,225,715 was attributed to the warrants using relative fair value approach, included in contributed surplus and is determined based on the Black-Scholes pricing model. 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. These warrants have since expired. A value of \$187,473, included in contributed surplus, was attributed to the broker warrants based on the Black-Scholes pricing model.

Papuan Precious Metals Corp.

Management's Discussion and Analysis
For the Three Months Ended September 30, 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 three months ended September 30, 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 12 – Deferred Tax

IAS 24 – Related Party Disclosures

IAS 28 – Investments in Associates

IFRS 7 - *Financial Instruments: Disclosures*

IFRS 9 – *Financial Instruments*

IFRS 10 – *Consolidated Financial Statements*

IFRS 11 – *Joint Arrangements*

IFRS 12 – *Disclosures of Interests in Other Entities*

IFRS 13 – *Fair Value Measurement*