

Peruvian Precious Metals Announces MOU to Acquire 350 mt/day Processing Facility, Operations Contract and Project Financing

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Vancouver, British Columbia (FSCwire) - **Peruvian Precious Metals Inc.** (“the Company”;, “Peru”) is pleased to announce that it has signed a Memorandum of Understanding (MOU) with AM Mining SAC (AMM) of Lima, Peru, which outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric ton (“350 mt/d”) gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery technology, producing precious metal dore at the Company’s Igor project in northern Peru. AMM, in conjunction with sister company Fundición Callao, SAC (“Fundición”), has over 60 years of mining, mineral processing and plant construction experience, with a hemisphere-wide client and project resume. The MOU will form the basis for a series of definitive commercial and operational agreements (“Agreements”) that Peruvian anticipates will be completed shortly. The Company will utilize data gathered during on-going metallurgical testing and the previously announced underground bulk sampling program (please see press release dated September 2, 2014) to develop a detailed process flow-sheet for the proposed precious metal processing plant. Should the underground bulk-sampling program produce positive results, validated through a prefeasibility study, having a company-owned processing facility at the Igor project site could provide a significant economic benefit to the Company.

Although the Company does not intend this press release to be interpreted as a decision to commence commercial production, it should be noted that a production decision in the absence of a feasibility study of mineral reserves that demonstrates economic and technical viability has increased uncertainty and higher risk of economic and technical failure associated with any production.

Important aspects of the MOU are summarized below:

- AMM anticipates that it will take up to 18 months to obtain permits, complete the final design and plant engineering, procure the milling and processing equipment, prepare necessary site infrastructure, install and commission the processing plant at the Igor Project. AMM will be responsible for all aspects of project permitting, site preparation, tailings disposal, as well as the detailed design, assembly and construction of the processing facility. AMM will utilize the engineering expertise of Fundición during the design phase as well as the Fundición fabrication facility in Lima to construct the processing equipment including tanks, etc. Fundición is highly experienced in process plant design, construction and assembly, having been contracted as a sub-contractor on projects of all scales: Mina Peñasquito, Zacatecas, Mexico (Au, Ag, Zn, Pb), Goldcorp, 130,000 t/d; Antapaccay, Peru (Cu, Ag, Au), Xstrata, 60,000 t/d; Minera Aurifera Retamas, Peru (Au), 1,500 t/d; Mina Lagunas Verdes, Peru (Au), Barrick Gold, processing facility.
- The Company and AMM have completed preliminary engineering and design work for the processing plant based on the on-going metallurgical test work. Pending completion of the metallurgical testing, the processing plant will consist of a crushing/grinding circuit with a process capacity of 350 mt/day. Gold and silver recovery will be accomplished with CIL leaching, Merrill Crowe silver recovery and a conventional desorption circuit. All support facilities, including a laboratory, CN destruction circuit, rock and crushed material loading and feeding conveyors, etc. are included in the design of the plant which is intended to be a “turn-key” facility. The processing plant will have the capacity to produce silver dore at the Igor site. Plant equipment will be procured and/or fabricated by Fundición at its factory in Lima and transported to the Igor project site for assembly. All new components will be utilized.
- After completing the construction of the processing plant at the Igor project site, AMM will have an Agreement to operate the plant for a period of up to 54 months, charging a fixed fee for plant supervision, environmental monitoring, safety, and a reasonable profit. At any time after the plant’s completion, the title to the processing plant can be transferred to the Company at the Company’s discretion. Once the processing plant’s design and engineering is finalized, the projected operating costs will be available for disclosure. These costs will be utilized in the anticipated prefeasibility study to determine project economics. Following completion of the 54-month operational period or termination of the Agreement outlined below, the Company will assume operating control of the processing plant.

- As compensation for the design, procurement, permitting and construction of the processing facility as outlined above, AMM will pay Peruvian Cdn\$4,876,796.88. Any additional costs for the design, construction and assembly of the processing facility the amount above will be borne by AMM. Peruvian has also agreed to a non-brokered Private Placement with AMM for proceeds of Cdn\$4,876,796.88. The Private Placement will consist of 40,639,974 common shares of Peruvian priced at Cdn\$0.12 per share. The Private Placement is anticipated to close after definitive Agreements, incorporating the MOU, are completed and is subject to regulatory approval.
- Combining the 18-month permitting and construction period with the 54 month period of processing plant operation, AMM anticipates a total Agreement life of 72 months. The Company has the right to terminate the MOU and Agreements by paying AMM a termination fee based on potential loss of earnings from the anticipated processing plant operation. The base termination fee is US\$13,500,000. For each month that the MOU and Agreements are in effect, the termination fee is reduced by US\$187,500, commencing at the end of the first month following the effective date of the MOU. The fee can be further reduced by applying a credit equal to 50% of any appreciation in value of the shares acquired by AMM in the Private Placement outlined above. AMM has the right to receive a 120-day notice in event of a termination of the Agreements.

Kimberly Ann, Peruvian Precious Metals' Vice President of Corporate Development and CFO commented: "Peruvian is excited to sign this MOU with AMM; the opportunity to acquire a new state-of-the-art mill, designed and built in Peru by Fundición, with no cash outlay by the Company, is unique and we are delighted to partner with AMM and Fundición. The time line for plant design, permitting and construction correlates perfectly with our underground test mining and bulk sampling program. Results from metallurgical testing of the bulk samples can be utilized to fine tune the process plant flow sheet. The results of the test mining and bulk sampling program generate a positive pre-feasibility recommendation, the Company is well positioned to utilize this new state-of-the-art processing facility located at the Igor project site."

Andre Marsano, General Manager of AMM commented: "AMM and our sister company Fundición Callao are excited to partner with Peruvian and build this new process facility at Igor. We have carefully completed a risk-benefit analysis and concluded the project meets all of our corporate criteria for new development projects with operational upside. We look forward to completing the Agreements and initiating the permitting process."

About Peruvian Precious Metals Inc.: Peruvian Precious Metals (PPX: TSX.V; BVL) is currently exploring and evaluating development opportunities at its Igor Mine Project in Northern Peru. The Igor project explores several high grade, gold and silver mineralized high-angle structures that host significant gold and silver resources. The Callanquitas Structure at the Igor project contains Inferred gold and silver resources of 7,189,000 tonnes grading 1.94 gpt gold and 71.8 gpt silver containing 444,000 ounces of gold and 16,600,000 ounces of silver at a cutoff grade of 1.5 gpt gold equivalent. Included within this resource estimate is a high grade zone consisting of 2,730,000 tonnes grading 2.73 gpt gold and 119.1 gpt silver containing 239,400 ounces of gold and 10,500,000 ounces of silver using a 3.0 gpt gold equivalent cutoff grade (Please see Technical Report as amended on November 1, 2013 entitled "Technical Report on the Callanquitas Structure, Igor Mine Project, Northern Peru, South America" which is available on the Company's web site or SEDAR). Mineral resources are not mineral reserves and do not have an associated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserves.

The Company is continuing its exploration and development of the Igor Project including an underground test mining and bulk sampling program designed to generate data to evaluate future mine development options at Igor. The Company is also completing the design of a new 350 mt/d processing plant at Igor, the design process intended to coincide with a new Technical Report scheduled for release in mid-2015.

All scientific and technical information in this press release has been reviewed and approved by Quentin J. Browne, P.Eng., an Independent Consulting Geologist to Peruvian Precious Metals, who is a qualified person under the definitions established in National Instrument 43-101.

On behalf of the Board of Directors

Brian J. Maher

President and Chief Executive Officer

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Cautionary Statement:

This news release includes certain forward-looking statements or information. All statements other than statements of historical fact included in this release, including, without limitation, statements relating to the potential mineralization and geological merits of the Igor Mine Project and other future plans, objectives or expectations of Peruvian Precious Metals Inc. (the "Company") are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to the actual results of current exploration and development activities, fluctuating gold prices, possibility of equipment breakdowns and delays, exploration cost overruns, availability of capital and financing, general economic, market or business conditions, regulatory changes, timeliness of government or regulatory approvals and other risks detailed herein and from time to time in the filings made by the Company with securities regulators. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise except as otherwise required by applicable securities legislation. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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