Peruvian Precious Metals Corp.

Management's Discussion and Analysis Of Financial Condition and Results of Operation

For the year ended September 30, 2014

This Management's Discussion and Analysis ("MD&A") is dated January 27, 2015 and is management's assessment of the operations and the financial results together with future prospects of Peruvian Precious Metals Corp. ("Peruvian Precious Metals" or the "Company"). The Company changed its name from Sienna Gold Inc. and its stock symbol to PPX on July 2, 2013. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for year ended September 30, 2014 and related notes, prepared in accordance with International Financial Reporting Standards. Additional information relevant to the Company's activities, including the Company's press releases can be found on SEDAR at www.sedar.com and on the Company's website at (www.peruvianpmc.com).

All references to "dollars" or "$" are in Canadian dollars unless noted otherwise.

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Peruvian Precious Metals to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of the Company to fund the capital and operating expenses necessary to achieve the business objectives of the Company, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Peruvian Precious Metals should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

1. Company Highlights and Outlook

Peruvian Precious Metals is focused on exploring and developing the Igor property, located in Peru, South America.

Igor is the Company's main project with a National Instrument 43-101 resource estimate (the Callanquitas resource estimate) with an inferred resource of 730,500 gold equivalent "Au Eq" ounces consisting of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 Au Eq g/t using a cut-off grade of 1.5 Au Eq g/t. This represents 448,500 ounces of gold and 16,600,000 ounces of silver. The report can be viewed on SEDAR at ww.sedar.com or on the Company's web site at www.peruvianpmc.com.

The Company's objective is to continue to expand and upgrade the known gold and silver resources on the Igor Project and explore other targets along the approximately eight kilometres of undrilled gold and silver mineralized structure for further potentially economically mineralized areas. The Company also intends to conduct test mining and bulk sampling of a portion of the known Callanquitas resource in order to develop mining cost profiles, evaluate precious metal recoveries and validate the resource model. The Company's ability to do this in both the short and longer term is dependent on additional funding, retaining suitable qualified and professional personnel and maintaining costs appropriate for the Company's level of development.

During the year the Company focused on securing new sources of funding, whilst managing costs. The Company completed numerous financings, partly from insiders, and also was successful at securing a number of small short term loans to finance a portion of the day-to-

day expenditures. The loans were later retired as part of a large debt-for-equity swap. In August, the Company signed an agreement with Proyectos La Patagonia S.A.C. ("Patagonia"), a wholly-owned subsidiary of the Explora Peru Mining Group, Peru that outlines the terms and conditions under which Patagonia will conduct underground bulk sampling, test mining and develop appropriate underground infrastructure at the Company's Igor gold and silver project in northern Peru.

Complete details of the Company's activities can be found in the sections entitled "Exploration and Evaluation Assets" and "Corporate and Financing" of the MD&A below.

Subsequent to September 30, 2014, on October 9, 2014, the Company announced that it has signed a Memorandum of Understanding ("AMM MOU") with AM Mining SAC ("AMM") of Lima, Peru, that outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of 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 AMM MOU will form the basis for a series of definitive construction and operational agreements ("Agreements") that the Company anticipates will be completed shortly. The Company and AMM 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 process, having a company-owned processing facility at the Igor project site could provide a significant economic benefit to the Company. Complete details can be found in the Subsequent Events section of the MD&A.

Corporately, both Mr. George Salamis, director, and Mr. Tony Wood, Chief Financial Officer, resigned in November 2013. In January, 2014, Mr. Charles Littlejohn resigned from the Board of Directors. In January, 2014, Ms. Kimberley Ann Arntson was appointed Chief Financial Officer. In August, 2014, Mr. Declan Livesay announced his resignation from the Board of Directors.

2. Results of Operations

Selected Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited consolidated financial statements of the Company for the years ended September 30, 2014, 2013 and 2012. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Year ended September 30, 2014 $	Year ended September 30, 2013 $	Year ended September 30, 2012 $
Revenue	**Nil**	Nil	Nil
Change in derivative liability	**884,624**	(38,033)	(438,990)
Interest income	**(57,006)**	(14,385)	(7,944)
Interest expense	**105,728**	5,192	-
Net loss for the year	**(5,337,489)**	(25,230,703)	(2,087,274)
Loss per share – Basic and diluted	**0.04**	0.22	0.02
Total Assets	**130,362**	1,009,234	20,685,259
Total long-term liabilities	**17,137**	17,432	15,502

Summary of Quarterly Information

The following table sets out selected quarterly financial data from the Company's unaudited quarterly financial statements. There were no significant revenues reported in any of the periods reflected below.

	September 30, 2014 $	June 30, 2014 $	March 31, 2014 $	December 31, 2013 $
Total revenue	**Nil**	Nil	Nil	Nil
Net Loss (income)	**3,060,202**	754,673	631,256	891,358
Loss (profit) per share	**0.03**	0.00	0.00	0.01
	September 30, 2013 $	June 30, 2013 $	March 31, 2013 $	December 31, 2012 $
Total revenue	**Nil**	Nil	Nil	Nil
Net Loss (income)	**22,890,189**	713,855	1,053,942	572,717
Loss (profit) per share	**0.19**	0.01	0.01	0.01

Results of Operations

The following are the operational results for the years ended September 30, 2014 and 2013:

	Year ended September 30, 2014 $	Year ended September 30, 2013 $
Accretion expense	**-**	1,411
Bad debt	**-**	412,225
Communication and regulatory	**236,502**	326,699
Depreciation	**13,726**	11,473
Foreign exchange loss (gain)	**159,650**	(23,540)
Consulting fees, salaries and benefits	**1,054,472**	1,584,934
Professional fees	**319,554**	295,927
Travel and promotions	**221,116**	246,189
Office and miscellaneous	**190,699**	51,303
Premises	**70,611**	168,515
Share-based payment	**261,589**	732,553
Write-down of exploration and evaluation assets	**1,143,688**	21,470,240
Interest income	**(57,006)**	(14,385)
Interest expense	**105,728**	5,192
Allowance for note receivable	**655,922**	-
Change in fair value of derivative liability	**884,624**	(38,033)
Loss on settlement of debt	**60,417**	-
Transaction costs – convertible debenture	**16,197**	-
	5,337,489	25,230,703

The most significant changes were:

- Bad debt expense was recorded last year due to uncertainty around the collectability of the accrual of Peruvian VAT refund, while the Peruvian VAT was expensed directly to profit and loss in the 2014 fiscal year.
- Communication and regulatory expenditure were down for the current year as compared with last year as a result of the Company's management attending fewer conferences overseas while trying to raise financing.
- Consulting, salaries and benefits in the current year have decreased significantly from last year. During March 2013, there was a change in management and the Company incurred significant expenditures related to the severance pay for the old management, which was recorded in the 2013 fiscal year. During the 2014 fiscal year, the Company also accrued severance pay for the former Chief Financial Officer who resigned during the first quarter of fiscal 2014, but the severance pay was not as significant as the expenditures in the 2013 fiscal year.
- Office and miscellaneous expense increased from last year as a result of increased business operations in Peru as the Company continued incurring exploration costs on the Igor property.
- Premises costs decreased from last year, as the Company has downsized its corporate offices since May 2014 by moving its head office to Vancouver, Canada and in June 2014 reduced the number and size of its offices in Peru.
- Share-based payment decreased significantly as the Company issued fewer share options and the Company's stock price was significantly lower during the 2014 fiscal year as compared with the 2013 fiscal year.
- Due to the economic conditions facing the Company, mineral property interest expenditures are being written down each year until the Company has the financial resources to continue meaningful work on the Company's project.
- During the year ended September 30, 2014, management decided to provide an allowance for the note receivable for accounting purposes due to the uncertainty around its collectability, as the settlement with the former director is currently in dispute.

Fourth Quarter

During the fourth quarter, the Company reported a net loss of $3,060,202, the most significant components of which were the write-down of exploration and evaluation assets of $686,436, allowance for note receivable of $655,922, and change in fair value of derivative liability of $884,624.

Due to the economic conditions facing the Company, mineral property interest expenditures are being written down each quarter until the Company has the financial resources to continue meaningful work on the Company's project.

During the quarter ended September 30, 2014, management decided to provide an allowance for the note receivable for accounting purposes due to the uncertainty around its collectability, as the settlement with the former director is currently in dispute.

On August 15, 2014, the Company entered into an agreement to issue a convertible debenture for aggregate proceeds of US$800,000. The convertible debenture can be converted into common shares of the Company at any time at a conversion price of US$0.065 for a period of one year. The conversion feature of the convertible debenture meets the definition of a derivative liability as outlined in IAS 39. As a result, the conversion feature of the debenture is required to be recorded as a derivative liability at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss. On inception of the debenture, August 15, 2014, the fair value of the derivative liability related to the conversion feature was $409,710 and as at September 30, 2014 the fair value was $1,294,334, resulting in a change in fair value of derivative liability of $884,624.

3. Exploration and Evaluation Assets

Igor Project

Peruvian Precious Metals is focused on exploring and developing the Igor property, located in Peru, South America. Igor is the Company's main project with a National Instrument 43-101 resource estimate (the Callanquitas resource estimate) with an inferred resource of 730,500 gold equivalent "Au Eq" ounces consisting of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 Au Eq g/t using a cut-off grade of 1.5 Au Eq g/t. This represents 448,500 ounces of gold and 16,600,000 ounces of silver. The report can be viewed on SEDAR at ww.sedar.com or on the Company's web site at www.peruvianpmc.com.

The Company's objective is to continue to expand and upgrade the known gold and silver resources on the Igor Project and explore other targets along the approximately eight kilometres of undrilled gold and silver mineralized structure for further potentially economically mineralized areas. The Company also intends to conduct test mining and bulk sampling of a portion of the known Callanquitas resource. On September 2, 2014, the Company announced that it had signed a Memorandum of Understanding ("MOU") with Proyectos La Patagonia S.A.C. ("Patagonia"), a wholly-owned subsidiary of the Explora Peru Mining Group, Peru that outlines the terms and conditions under which Patagonia will conduct underground bulk sampling, test mining and develop appropriate underground infrastructure at the Company's Igor gold and silver project in northern Peru. The work program is intended to gather specific data on underground mining costs, acquire geotechnical information, collect bulk samples for metallurgical testing including test milling, and evaluate selective mining methods. The data gathered will be utilized to complete a pre-feasibility study ("PFS") and/or a preliminary economic assessment ("PEA") in accordance with Canadian National Instrument 43-101 that will evaluate economic parameters for potential future mine development at Igor. Further details of the MOU can be found in the press release announcing the transaction.

On September 10, 2014, the Company announced positive results from bottle roll CN leach analyses for samples from the Callanquitas structure at its Igor Mine project in northern Peru. The test work was performed by Certimin SA, an ISO 9001 certfied metallurgical laboratory located in Lima, Peru. A bulk sample totaling 109.7 kg was sourced from core sample rejects and had a head grade of 10.80 gpt gold and 39.6 gpt silver. The individual core sample rejects collected for the bulk sample were selected to represent typical alteration and mineralogical characteristics of the oxidized portion of the Callanquitas gold and silver resource. The bulk sample was split into nine individual samples and subjected to three different grind sizes and three different NaCN concentrations for the bottle roll tests. After 96 hours of digestion, gold recoveries ranged from 84.1% to 87.9% (average 86.8%) and silver recoveries ranged from 65.1% to 69.0% (average 67.1%).

Subsequent to September 30, 2014, on November 17, 2014 the Company announced that it had received a Certificado de la Inexistencia de Restos Arqueológicos ("CIRA", "Certificate of the Non-Existence of Archaeological Remains") from the Peru Ministerio de Cultura del Perú - Dirección Desconcentrada de Cultura de La Libertad (Ministry of Culture of Peru - Decentralized Culture Department of La Libertad), covering 92% (1,229.51 Ha) of its Igor project in Northern Peru. The CIRA includes areas that would be impacted by the Company's proposed test mining and underground bulk sampling program. Receipt of the CIRA allows the Company and its partner Patagonia to proceed with the permitting process and complete the Declaración de Impactos Ambientales ("DIA", "Declaration of Environmental Impacts"). Complete details can be found in the Subsequent Events section of the MD&A.

4. Corporate and Financing

Financing

On November 7, 2013 the Company closed the first tranche of a private placement for the issuance of 750,000 units at $0.10 per unit for gross proceeds of $75,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to subscribe for one additional common share for $0.16 for a period of two years from closing. Should the shares of the Company trade over $0.45 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration.

On August 11, 2014 the Company completed shares-for-debt settlement agreements with several parties, including related parties management and members of the Board. In total the Company issued 19,169,112 common shares valued at $1,150,147. $948,832 was used to retire all of the Company's loans, including interest, and $297,162 was used to reduce payables to management, a board member and a former employee resulting in a gain on debt settlement of $95,847.

On August 15, 2014, the Company entered into an agreement to issue a convertible debenture for aggregate proceeds of US$800,000. The convertible debenture is unsecured and bears an interest rate of 13% per annum, calculated on the principal balance, payable every four months commencing April 30, 2015. The convertible debenture is non-transferable and can be converted into common shares of the Company at any time at a conversion price of US$0.065 for a period of one year. If the convertible debenture is not converted in the one year, the Company will repay the full amount of the debenture along with any outstanding accrued interest. The Company also issued 307,695 common shares, valued at $27,692, and US$6,243 as a finder's fee.

On August 20, 2014 the Company entered into agreements with two arms-length parties to repurchase their net smelter returns royalty interests (the "NSRs") previously granted by the Company in respect of the Company's Igor Property in Peru. In consideration for the repurchase of the NSRs, the Company has issued to the holders of the NSRs a total of 4,259,200 common shares of the Company valued at $425,920 to complete the agreement.

On August 22, 2014, the Company received Exchange approval to complete a share-for-debt agreement with the former CFO of the Company. The Company issued 2,846,154 common shares valued at $341,539 and used this transaction to pay outstanding payables of $185,000. The Company realized a loss on debt settlement of $156,539.

During the year ended September 30, 2014, the Company entered into six note agreements with various unrelated third parties with terms identical to each other as well as three note agreements with one director, also having identical terms as the other notes. The note amounts were as follows:

1. USD $75,000;
2. USD $50,000;
3. USD $50,000;
4. USD $30,000 – related party note agreement;
5. USD $10,710 – related party note agreement;
6. CDN $20,000 – related party note agreement;
7. USD $80,000;
8. USD $273,000;
9. USD $50,000

The agreements all had an interest rate of 12% per annum and were all due on demand with no specific repayment date. The notes were unsecured and had no covenants. On August 11, 2014, the Company received Exchange approval to settle all the loans with the issuance of common shares of the Company. The total debt retired totaled $948,832 and the fair value of the shares issued were $875,435, resulting in a $72,987 gain from the settlement of the debt.

During the year ended September 30, 2014, the Company extended the life of 5,615,363 warrants that were set to expire on October 26, 2013 and November 14, 2013. The warrants were extended one year to October 26, 2014 and November 14, 2014. These warrants have subsequently expired.

Subsequent to September 30, 2014, the Company completed several additional financing and corporate events:

1. On October 7, 2014 the Company announced it had closed a non-brokered private placement with Patagonia for gross proceeds of $478,588 for issuance of 5,317,644 common shares. The common shares have a four month hold period expiring February 8, 2015.

2. On October 28, 2014 the Company granted 4,700,000 share options to certain directors, officers, an employee and a consultant. The share options have an exercise price of $0.16 and a life of five years except for 500,000 share options issued to a consultant that have a life of two years.

3. On November 3, 2014 the Company completed a non-brokered private placement issuing 4,949,690 units at a price of $0.13 per unit for gross proceeds of $643,460. Each unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX Venture Exchange ("TSX-V") (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given. In consideration for introducing subscribers to the private placement, the Company issued 319,555 units (the "Finder's Units") to an arm's length finder, representing 7% of the total number of units sold to subscribers introduced to the Company by the finder. Each Finder's Unit consists of one common share of the Company and one common share purchase warrant (a "Finder's Warrant") which entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 on or before October 31, 2016. If the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX-V (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Finder's Warrants by giving notice that the Finder's Warrants will expire on a date that is not less than thirty (30) calendar days from the date notice is given.

4. On December 31, 2014 the Company completed a non-brokered private placement issuing 2,223,626 units at a price of $0.13 per unit for gross proceeds of $289,071. Each unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX-V (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given. In consideration for introducing subscribers to the private placement, the Company issued 155,653 units (the "Finder's Units") to an arm's length finder, representing 7% of the total number of units sold to subscribers introduced to the Company by the finder. Each Finder's Unit consists of one common share of the Company and one common share purchase warrant (a "Finder's Warrant") which entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 on or before December 31, 2016. If the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX-V (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Finder's Warrants by giving notice that the Finder's Warrants will expire on a date that is not less than thirty (30) calendar days from the date notice is given.

5. Capital Resources, Capital Expenditures and Liquidity

The Company's working capital deficiency was $4,888,112 as at September 30, 2014 (September 30, 2013 - $2,662,683). The Company will need to raise additional funds to settle its outstanding obligations, fund future drilling and for general and administrative expenses.

For the year ended September 30, 2014, the Company incurred $1,143,688 in deferred exploration costs on its mineral properties. Details of the expenditures are provided in Note 6 of the audited consolidated financial statements for the year.

The exploration activities of the Company will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. Furthermore, inability to meet property payments and negotiate satisfactory terms with creditors could ultimately result in the loss of the properties.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

6. Related Party Transactions

(a) Compensation of key management personnel

Certain of the Company's key management personnel render services to the Company as sole proprietors or through companies in which they are an officer or director.

	Nature of transactions
Maher Global Exploration	Consulting fees
KA Gold LLC	Consulting fees
Specialized Geological Mapping	Consulting fees

Compensation includes salaries paid to the President and Chief Executive Officer, Chief Financial Officer, Vice President of Corporate Development, Manager of Exploration and amounts paid to directors as consulting fees for their services provided to the Company outside of their capacity as a director.

		Year Ended September 30, 2014		Year Ended September 30, 2013
Consulting fees, salaries and benefits	$	581,523	$	663,341
Termination benefits		210,000		555,610
Share-based payment		210,850		713,858
	$	1,002,373	$	1,932,809

(b) Other related parties

During the year ended September 30, 2014, the Company incurred legal fees of $Nil (2013 - $67,422) from a firm of which a former director is a partner.

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2014 included $672,184 (September 30, 2013 - $691,221), which were due to individuals or companies whose officers, directors or

partners were also officers or directors of the Company. During the year, the Company settled a portion of the outstanding debt with management and one director through the issuance of common shares. The CEO and CFO each agreed to settle US$75,000 of debt through the issuance of shares and one director settled US$40,710 and $20,000 in notes payable, along with US$8,800 and $300 in expense reimbursements.

(c) Note Receivable from former Officer/Director

During the year ended September 30, 2013, the Company entered into a loan agreement with the former President/Director ("director") of the Company, whereby, the Company would provide him with a loan of $616,250 in order for him to exercise his share options to purchase 2,465,000 shares of the Company.

The terms of the loan require the former director to place the shares in trust with the Company's counsel as security for the loan. The loan accrues interest at a rate of 4% per annum with principal repayments following the below schedule:

1. $136,250 due August 31, 2014 (unpaid);
2. $175,000 due September 14, 2015; and
3. $305,000 due on November 24, 2016

Interest amounts began accruing at the inception of the loan and have been capitalized to the note receivable. No interest is to be paid during the first three years of the term.

In the event one of the following events (each, an "Event of Default") occur, namely:

(a) Sale, transfer, assignment or any other disposition of the former director's interest in the common shares, or any part thereof; or
(b) The bankruptcy or insolvency of the former director;

the Company shall, by notice in writing to the former director, declare the principal amount of the note receivable due and payable within 30 days of the notice, provided that the Company's recourse will be limited to the common shares and further provided that, in the event of the sale, transfer, assignment or other disposition of some but not all of the shares, the amount immediately due and payable by the former director shall be limited to any positive amount resulting from the principal sum less the proceeds of the sale of the common shares.

The Company's recourse for any shortfall from the former director shall be limited to the remaining common shares. If the former director does not repay the principal sum upon receipt of notice of an event of default, the former director shall pay all costs and expenses incurred by the Company in enforcing the agreement and realizing its security.

		September 30, 2014		September 30, 2013
Balance, beginning of the year	$	631,272	$	-
Loan		-		616,250
Foreign exchange		-		643
Interest		24,650		14,379
Allowance provided for note receivable		(655,922)		-
Balance, ending of the year	$	-	$	631,272

During the year ended September 30, 2014, management decided to write down and provide an allowance for the note receivable for accounting purposes due to the uncertainty around the collectability, as the settlement with the former director is currently in dispute.

7. Subsequent events

On October 9, 2014, the Company announced that it has signed the AMM MOU with AMM, that outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor project in northern Peru. The AMM MOU will form the basis for a series of definitive construction and operational agreements that the Company anticipates will be completed shortly. The Company and AMM 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 process, having a company-owned processing facility at the Igor project site could provide a significant economic benefit to the Company.

The Company does not intend this disclosure to be interpreted as a decision to commence commercial production, and 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 decision.

Important aspects of the AMM MOU are summarized below:

- AMM anticipates that it will take up to 18 months to obtain permits, complete the final design and plant engineering, construct 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 in the design phase as well as the Fundición fabrication facility in Lima to construct the processing equipment including all mills, tanks, etc. Fundición is highly experienced in process plant design, construction and assembly, having been contractor and sub-contractor on projects of all scales: Mina Peñasquito, Zacatecas, Mexico (Au, Ag, Zn, Pb), Goldcorp, 130,000 tpd; Mina Antapaccay, Peru (Cu, Ag, Au), Xstrata, 60,000 t/d; Minera Aurifera Retamas, Peru (Au), 1,500 t/d; Mina Lagunas Norte, Peru (Au), Barrick Gold, processing facility.
- The Company and AMM have completed preliminary engineering and design work for the processing plant based on available and 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 either CIP or CIL leaching, Merrill-Crowe silver recovery and a conventional desorption circuit. All support facilities, including analytical laboratory, CN destruction circuit, rock and crushed material loading and feeding conveyors, etc. are included in the proposed plant which is intended to be a "turn-key" facility. The processing plant will have the capacity to produce gold and silver dore at the Igor site. Plant equipment will be procured and/or fabricated by Fundición at its factory in Lima and then 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, security and 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, 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 Agreements as 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, Peruvian Precious Metals will pay AMM $4,876,796.88. Any additional costs for the design, construction and assembly of the processing plant beyond the amount above will be borne by AMM. Peruvian Precious Metals has also agreed to a non-brokered Private Placement with AMM, for gross proceeds of $4,876,796.88, which will consist of 40,639,974 common shares of Peruvian Precious Metals priced at $0.12 per share. The private placement is anticipated to close after definitive Agreements, incorporating the terms of the AMM 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 operations, the AMM MOU anticipates a total Agreement life of 72 months. The Company has the right to terminate the AMM MOU and Agreements at any time by paying AMM a termination fee based on potential loss of earnings from the anticipated processing plant operations. The base termination fee is US$13,500,000. For each month that the AMM 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 AMM MOU. The termination 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 AMM MOU and/or Agreements.

8. Disclosure of Outstanding Share Data

	January 27, 2015
Voting or equity securities issued and outstanding	**170,310,072**
Securities convertible or exercisable into voting or equity share:	
Warrants	**14,890,400**
Agent warrants	**1,400,358**
Share options	**12,783,000**
Convertible debenture	**12,307,692**

Further detailed disclosure of outstanding shares data is provided in the financial statements for the respective periods.

9. Financial Risk Factors

Financial Instruments

(a) Fair value of financial instruments:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii. Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
iii. Level 3 – Input for assets and liabilities that is not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy described above:

September 30, 2014	Level 1	Level 2	Level 3
Cash	$ 56,795	$ -	$ -
Derivative liability – convertible debenture	$ -	$1,294,334	$ -

September 30, 2013	Level 1	Level 2	Level 3
Cash	$ 185,569	$ -	$ -

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, note payable and convertible debenture approximate their carrying amounts due to their short terms to maturity.

The convertible debenture derivative liability is measured at fair value through profit and loss using Black-Scholes option pricing model. This basis of determining fair value is a level 2 technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

(b) Credit risk:

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company's maximum exposure to credit risk for cash and receivables is the amounts disclosed in the consolidated statements of financial position. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

The Company's accounts receivable at September 30, 2014 primarily consist of goods and services sales tax (GST) due from the Federal Government of Canada.

The Company is exposed to credit risk related to its note receivable from a former officer/director. The note receivable is secured by the common shares of the Company and therefore a decrease in the Company's price could result in a loss to the Company. The risk related to this note receivable is considered high and there were no steps that could be taken to mitigate the risk of this note receivable. During the year ended September 30, 2014, management decided to provide an allowance for the note receivable for accounting purposes due to the uncertainty around its collectability, as the settlement with the former director is currently in dispute. The Company avoids complex investment vehicles with higher risk such as asset-backed commercial paper.

The best representation of the Company's maximum exposure (excluding tax effects) to credit risk, which is a worst-case scenario and does not reflect results expected by the Company, is as set out in the following table:

	September 30, 2014	September 30, 2013
Cash	$ 56,795	$ 185,569
Accounts receivable	19,131	48,429
Note receivable	-	631,272
	$ 75,926	$ 865,270

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. At September 30, 2014, the Company has a cash balance of $56,795 to settle its obligations related to accounts payable of $3,181,134 and a convertible debenture with a face value of US$800,000, due August 15, 2015. The Company does not have sufficient funds to meet its current obligations.

The Company is in the process of raising the funds necessary to enable the execution of its business plan and to meet its administrative requirements for the next twelve months. The Company will seek to gain financing through the issuance of common shares and the issuance of debt instruments. There is no assurance that such funding will be available to the Company, or that it will be obtained on terms favorable to the Company. Failure to obtain sufficient financing may result in delaying or failure to:

- investigate or participate in new ventures that the Company would otherwise seek involvement;
- continue its exploration work on the Igor properties in Peru; or
- meet its obligations and contractual commitments as they come due.

Management believes the Company's overall liquidity risk continues to be high due to the lack of financing available in the equity markets. At September 30, 2014, all of the Company's accounts payable and accrued liabilities and convertible debenture mature within one year.

(d) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru and Canada and a portion of its expenses are incurred in United Sates dollars and Peruvian Soles. A significant change in the currency exchange rates between the US dollar relative to the Canadian dollar and the Peruvian Soles to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At September 30, 2014 the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian Soles:

	Peruvian Soles	US$
Cash	128,000	3,000
Accounts payable and accrued liabilities	(1,353,000)	(1,492,000)
Interest payable		(13,000)
Convertible debenture	-	(800,000)

At September 30, 2014, USD amounts were converted at a rate of USD 1.00 to CAD 1.12; Peruvian Soles amounts were converted at a rate of Peruvian Sol 1.00 to CAD 0.3797.

Based on the above net exposures as at September 30, 2014, and assuming that all other variables remain constant, a 10% change of the Canadian dollar against the US dollar and Peruvian Soles would result in a change of approximately $317,000 in the Company's comprehensive income (loss) for the year.

(e) Interest rate risk

The Company is exposed to interest rate risk related to the note receivable and convertible debenture. Management considers the risk insignificant.

(f) Price risk

Price risk is the that fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company's note receivable is secured by the Company's common shares. The Company's maximum exposure is the face value of the note receivable of $616,250.

10. Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

11. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of environmental obligations, the recoverability of exploration and evaluation assets, the assumptions used in the determination of the fair value of share-based payment, and recoverability of accounts and note receivables.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

- the point in time that an economic feasibility study has established the presence of proven and probable reserves;
- deferred tax assets recorded in the consolidated financial statements;
- in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiaries is the US dollar, as they are the currencies of the primary economic environments in which the companies operate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

12. Accounting standards issued but not yet effective

The following revised standards are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements.

IAS 32 "Financial Instruments: Presentation"
This amendment provides clarification on the application of offsetting rules.

IAS 36 "Impairment of Assets"
On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

The following revised standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The Company has not completed its assessment of the impact that the new and amended standard will have on its financial statements.

IFRS 9 "Financial instruments"
The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments.

The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.