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*NEWS RELEASE*

*TSX.V PPX; BVL PPX*

## **Peruvian Precious Metals Announces MOU to Begin Underground Test Mining, Bulk Sampling, and Project Financing**

**Vancouver, British Columbia – September 2, 2014 – Peruvian Precious Metals Inc.** (“the Company”, “Peruvian”) is pleased to announce that it has 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 Peruvian’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”) in accordance with Canadian National Instrument 43-101 that will evaluate economic parameters for potential future mine development at Igor.

Important aspects of the MOU are summarized below:

- Patagonia anticipates that it will take between seven and ten months to develop underground mining infrastructure sufficient to allow collection of appropriate bulk samples and conduct test mining along the Callanquitas Structure. Patagonia plans to develop mine workings on three levels over a vertical range of approximately 150 metres to access different areas within the Callanquitas Structure where previous drilling has defined Inferred gold and silver resources (please see Technical Report as amended on September 27, 2013 entitled “Technical Report on the Callanquitas Structure, Igor Mine Project, Northern Peru, South America”, available on the Company’s web site or SEDAR). Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserves.
- During the mine development phase outlined above, Patagonia will be responsible for all costs in excess of US\$440,000 related to developing the underground mining infrastructure including obtaining appropriate permits, surface facilities, access to the mine site, security and site preparation. Patagonia will manage the operation in conjunction with Peruvian.
- In order to finance its portion of the mine development program, Peruvian has agreed to a non-brokered Private Placement with Patagonia, for gross proceeds of approximately Cdn\$478,588. The Private Placement will consist of 5,317,644 common shares priced at Cdn\$0.09 per share.
- After completion of the mine development phase outlined above, the Company and Patagonia will utilize the underground access and infrastructure to conduct test mining

operations and collect bulk samples for metallurgical testing and milling to determine mining costs profiles and detailed metallurgical data including potential milling recoveries. The mining infrastructure is planned to accommodate test mining at rates of up to 350 tonnes per day. Should the test mining program, metallurgical testing and/or test milling of gold and silver mineralized material from the Igor Mine Project generate any proceeds from the sale of any metal produced in the test program, the Company and Patagonia will divide the proceeds 75% and 25% respectively, after deducting the costs of the test mining and any costs related to the metallurgical/milling test program.

- The MOU allows for test mining to continue for a period of up to five years under the terms outlined above. The Company has the right to terminate that agreement at any time by paying Patagonia a termination fee. During the first two years of the test mining program, Peruvian can terminate the agreement by paying Patagonia US\$2,500,000, if the agreement is terminated within the third year of the test mining program, the payment is US\$2,000,000, if the agreement is terminated within the fourth year of the test mining program the payment is US\$1,500,000 and if the agreement is terminated within the fifth year of the test mining program, the payment is US\$1,000,000. If the termination of the test mining program coincides with the completion of a contract for mining services at Igor with Patagonia, the termination payments are reduced by \$500,000 in each of the time periods specified above and the total length of the test mining program can be extended for an additional two years beyond the original five year program. Patagonia has the right to receive a 120-day notice in event of a termination of the test mining program.

The private placement is subject to regulatory approval.

Peruvian Precious Metals is excited to enter this new phase in the exploration and development of the Igor Project. Following the completion of the MOU and subsequent Definitive Agreement, Patagonia and Peruvian plan to begin development work at Igor as soon as possible. Patagonia will be responsible for acquiring all necessary permits for the test mining program and Patagonia believes that the permits can be obtained in a timely manner. The Company is in discussion with various metallurgical labs and mill operators regarding the design, cost and execution of a comprehensive metallurgical and test milling program. The test milling of bulk samples from the Callanquitas structure will be a key aspect of the overall work program as the Company develops a comprehensive database to be used in the eventual preparation of a PFS for the Igor Project.

Brian J. Maher, President and CEO of Peruvian commented: “The completion of this MOU with Patagonia allows the company to develop a test mining and metallurgical program at Callanquitas with virtually no direct cash contribution from the Company. Patagonia’s participation in the private placement, providing the balance of the funding required to initiate the test mining and bulk sampling program, certainly underscores their confidence in the project. Explora/Patagonia are the premier underground mining contractors in South America and we look forward to working with the Patagonia team in this next phase of development at Igor and completing the work in an environmentally sound and safe manner”.

**About Peruvian Precious Metals Inc.:** Peruvian Precious Metals (PPX: TSX.V; BVL) is currently exploring and evaluating mine 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 448,500 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 higher 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 September 27, 2013 entitled “Technical Report on the Callanquitas Structure, Igor Mine Project, Northern Peru, South America”, available on the Company’s web site or SEDAR). Mineral resources are not mineral reserves and do not have demonstrated 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.

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

**On behalf of the Board of Directors  
Brian J. Maher  
President and Chief Executive Officer**

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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.*