NEWS RELEASE *TSX.V PPX; BVL PPX*

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

Vancouver, British Columbia – October 9, 2014 – Peruvian Precious Metals Inc. ("the Company", "Peruvian") is pleased to announce that it has signed a Memorandum of Understanding (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 MOU will form the basis for a series of definitive construction and operational agreements ("Agreements") that Peruvian 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.

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 decision.

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, 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 will pay AMM Cdn$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 has also agreed to a non-brokered Private Placement with AMM, for gross 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 terms of 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 operations, the MOU anticipates a total Agreement life of 72 months. The Company has the right to terminate the 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 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 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 MOU and/or Agreements.

Kimberly Ann, Peruvian Precious Metals’ Vice President – 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. Should the results of the test mining and bulk sampling program generate a positive pre-feasibility recommendation, the Company will be 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 team with Peruvian and build this new process facility at Igor. We have carefully completed a risk-benefit analysis and concluded that this 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 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. 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 in mid-2015.

All scientific and technical information in this press release has been reviewed and approved by Quentin J. Browne, P.Geo. 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

FOR FURTHER INFORMATION, PLEASE CONTACT:
Peruvian Precious Metals Corp.
Kimberly Ann Arntson, CFO and Vice President - Corporate Development
Phone: 1-530-414-4400
Email: kimberly.ann@peruvianpmc.com
Website: www.peruvianpmc.com