Dundee Precious Metals announces a Favourable Preliminary Economic Assessment on its Kapan Mine Expansion Study

(All amounts have been expressed in US Dollars, except where otherwise indicated)

Toronto, October 8, 2014 – Dundee Precious Metals Inc. (DPM, DPM.WT.A – TSX) ("DPM" or "the Company") is pleased to report the favourable technical results outlined in its preliminary economic assessment ("PEA") of the potential underground expansion project (the "Project") at its Kapan Mine in Armenia.

Highlights of PEA

- Planned expansion of the Kapan Mine to 1 million tonnes per annum ("Mtpa") based on December 31, 2013 Indicated and Inferred Mineral Resources;
- Reviewed refurbishment of existing mill equipment plus modest additional capital to restore mill to its prior 1 Mtpa operating rate;
- Considered increase of mobile fleet to accommodate the additional development and production demands; and
- Planned mine expansion proposed to be completed in year three and operate at a 1 Mtpa rate.

Project Results Summary – Life of Mine ("LOM")		
Item	**Unit**	**LOM**
Average throughput	Mtpa	0.9
Project life	Years	9
Gold price	USD/oz	1,300
Copper price	USD/lb	3.00
Silver price	USD/oz	20
Zinc price	USD/lb	1.00
Production and Revenue Summary (LOM) [1]		
Item	**Unit**	**LOM**
Total quantity of material mined/milled	Mt	7.6
Gold grade	g/t	2.44
Silver grade	g/t	37.60
Copper grade	%	0.33
Zinc grade	%	1.00
Overall metallurgical recoveries		
Gold recovery	%	80.9
Silver recovery	%	82.1
Copper recovery	%	96.0
Zinc recovery	%	94.0

Total Net Revenue	USD M	874.7
Site EBITDA (2)	USD M	417.1
Average annual payable production		
Gold	ozs	54,084
Silver	ozs	824,757
Copper	M lbs	5.8
Zinc	M lbs	15.8

Operating and Capital Cost Summary (LOM)		
Item	Unit	LOM
Throughput	Mtpa	0.9
mining cash cost per tonne of material	USD/t	19.36
processing cash cost per tonne of material processed	USD/t	16.84
Services cash cost per tonne material	USD/t	6.88
royalty per tonne of material processed	USD/t	8.57
admin cash cost per tonne processed	USD/t	8.74
Total cash cost per tonne of material processed	USD/t	60.40
Cash cost per ounce of gold sold, net of by-product credits(3)	USD/oz	336
Capital Costs		
Initial capital	USD M	30.1
Sustaining capital	USD M	165.0
Closure and rehabilitation costs	USD M	12.0
Total LOM capital	**USD M**	**207.2**
Project Economics		
Average Annual EBITDA	USD M	52.1
NPV at a discount rate of 5.0%	**USD M**	**141.7**

(1) *Excludes first year from LOM schedule which is deemed to have occurred in 2014*

(2) *EBITDA is defined as earnings before interest, taxes, depreciation and amortization*

(3) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product zinc, copper and silver revenues, divided by the payable gold in concentrate sold.*

"We are pleased with the results of the new PEA on our Kapan underground expansion project", stated Rick Howes, President and CEO. "An underground expansion could showcase the mine's true potential and create value for our shareholders. The study shows that the incremental capital required is quite small and it results in a significant increase in net cashflow to the business and a very high return project," he added.

Mineral Resource and Life of Mine Mineral Inventory

Mineral Resources and LOM mineral inventory are based on the 2014 production schedule currently in operation at the Project, historic operating costs through to 2013, and projected metal prices of $1,250 per troy ounce for gold, $23 per troy ounce for silver, $2.75 per pound for copper, and $0.85 per pound for zinc.

The Mineral Resources estimates ("MRE") have been classified as Indicated and Inferred, following the guidelines specified by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") and adopted for technical reports in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Mineral Resources have been estimated as at December 31, 2013, and reported using a gold equivalent (Au + Cu*1.20 + Ag*0.02 + Zn*0.34) cut-off of 2.24 g/t and a breakeven net smelter royalty ("NSR") methodology.

Resource Category	Million tonnes	Grades							Metal Content			
		AuEq g/t	Au g/t	Ag g/t	Cu %	Zn %	Pb %	S %	Au M oz	Ag M oz	Cu M lbs	Zn M t
Indicated	3.0	5.33	3.21	49.88	0.44	1.77	0.19	2.08	0.312	4.848	29	0.054
Inferred	9.5	4.62	2.83	43.34	0.43	1.21	0.10	3.13	0.863	13.210	90	0.115

The LOM mineral inventory has been estimated as at December 31, 2013, inclusive of Inferred Mineral Resources and a number of technical-economic factors, to provide an indication of the potential life of the operation. The LOM mineral inventory has been reported using a gold equivalent (Au + Cu*1.20 + Ag*0.02 + Zn*0.34) cut-off of 2.24 g/t and NSR methodology. Therefore, it is important to note that the PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

LOM	Units	Total	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9
Development	kt	**1,372**	177	187	173	214	192	178	166	65	20
Stope	kt	**6,620**	379	484	718	821	821	821	823	929	826
Total Mineralized Material	kt	**7,992**	556	672	892	1,034	1,013	998	989	994	846
Au	g/t	**2.4**	2.1	2.6	2.4	2.4	2.4	2.5	2.6	2.4	2.4
Ag	g/t	**37.8**	38.5	39.9	37.3	35.8	35.1	34.3	36.9	35.8	46.6
Cu	%	**0.36**	0.33	0.33	0.28	0.30	0.31	0.32	0.39	0.35	0.35
Zn	%	**1.05**	1.32	1.32	1.16	1.13	1.04	0.85	0.88	0.78	0.95
Pb	%	**0.08**	0.08	0.13	0.10	0.10	0.07	0.05	0.06	0.04	0.10
S	%	**2.39**	2.72	1.96	1.79	1.96	1.90	2.42	2.55	3.12	3.12
Total Waste	kt	**5,484**	386	625	636	640	628	643	636	645	645
Total Material Moved	kt	**13,476**	942	1,297	1,528	1,674	1,640	1,641	1,624	1,639	1,491

Scope of the Project

The mine is currently producing run-of-mine material at an average rate of 1,200 tonnes per day. The preliminary economic analysis supporting the LOM mineral inventory estimate, contemplates ramping up production during years 1 and 2, to attain an annual production rate of 1 Mt from year 3. The potential expansion would be achieved through increased development and production rates by increasing the mining equipment fleet currently in use in the operation.

Access into the Kapan mine is via two decline ramps, one to access the south section of the mine, and one to access the north section. Crosscuts are developed from each of the declines. These intersect the veins at approximately 90°. Mine levels are at 15 m vertical intervals. Sub-level open stopes are opened up along the vein drives. Each stope is typically 56 m high and 60 m along strike. Production blast holes are drilled upwards from the lower sub-level, and consist typically of parallel holes. All mine development waste is backfilled into each completed stope.

The veins containing most of the mineralization are narrow, down to 0.2 m in width and up to 2.0 m in width (the average width being about 1 metre). The MRE is modelled to a minimum width of 1.8 metres to include appropriate dilution when required. The minimum stoping width with the sub-level stoping method in use is around 1.8 metres. However, due to geometric, geotechnical and operating factors, stopes can be wider than 1.8 metres, resulting in additional mining dilution. The amount of mining dilution is currently being analysed and procedures reviewed. New drilling machinery is expected to improve efficiency and accuracy of the stope blasting and overall geometry.

Processing Facility

The original infrastructure that processed up to 1 Mtpa of Centralni ore through the 1990's is being utilized for current operations. Following conventional two-stage crushing of run-of-mine material, one of the original grinding circuits (rod mill/ball mill) provides the feed to the first of two sequential flotation circuits. These produce copper and zinc concentrates, both of which contain substantial precious metal credits. Final tailings from the plant are pumped to the tailings management facility, located on the site of the original Centralni tailing facility.

The current milling and flotation circuits are capable of processing at the rate of approximately 750,000 tpa. The additional capacity required for the expansion in throughput may be achieved by refurbishing the currently idle second grinding line, while the capacity of the flotation and downstream circuits may be supplemented, as required, to achieve the 1 Mtpa throughput rate.

The current tailings facility is capable of storing the LOM mineral inventory. However, a substantial upgrade of the infrastructure is required, which has been considered in the project capital estimates. This upgrade is required regardless of the expansion, although the expansion would accelerate the timing.

As part of the ramp up, an options study is underway to compare the introduction of dense media separation to reduce the volume of material being processed, without significantly impacting on metal recoveries and the upgrade of the existing processing facility, for the increased throughput.

Capital Cost

The capital cost estimate reflects the initial capital cost and includes sustaining capital and closure and rehabilitation costs.

CAPITAL COST ESTIMATE SUMMARY	
Item	**Total (M USD)** *(1)*
Initial Capital Cost	
Mine expansion	10.6
Mill expansion	6.1
TMF Upgrade	13.4
Subtotal	**30.1**
Sustaining capital	165.0
Closure and rehabilitation costs	12.0
TOTAL CAPITAL – Life of Mine	**207.2**

(1) The capital cost estimate is expressed in Q3 2014 US dollars.

Technical Information

The Mineral Resource and LOM Mineral Inventory estimates and other scientific and technical information contained in this news release were prepared by CSA Global (UK) Ltd. ("CSA"), in accordance with Canadian regulatory requirements set out in NI 43-101, and has been reviewed and approved by, as relates to Mineral Resources, Malcolm Titley BSc, MAIG, Director and Principal Geologist, of CSA, and Julian Bennett, BSc ARSM FIMMM CEng, Mining Consultant, as relates to the LOM Mineral Inventory. Both Malcolm Titley and Julian Bennett are independent Qualified Persons ("QP"), as defined under NI 43-101. The NI 43-101 technical report entitled "NI 43-101 Technical Report, Shahumyan Project, Kapan, Republic of Armenia" dated September 30, 2014, in respect of the Mineral Resource and Life of Mine Mineral Inventory estimates disclosed herein (the "Technical Report"), is being filed today on SEDAR at www.sedar.com. Simon Meik, Corporate Director of Processing, and Edgar Urbaez, Corporate Director of Technical Services, both of DPM, who are QPs and not independent of the Company, have also reviewed and approved the contents of this release.

The Mineral Resource and LOM Mineral Inventory estimates contained herein may be subject to legal, political, environmental or other risks that could materially affect the potential development of such estimates. See the Technical Report for more information with respect to the key assumptions, parameters, methods and risks of determination associated with the foregoing Mineral Resource and LOM Mineral Inventory estimates.

Cautionary note to U.S. Investors concerning estimates of Mineral Resources. These estimates have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. securities laws. The terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in NI 43-101 and recognized by Canadian securities laws but are not defined terms under the U.S. Securities and Exchange Commission ("SEC") Guide 7 ("SEC Guide 7") or recognized under U.S. securities laws. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be upgraded to mineral reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever by upgraded to a higher category. Under Canadian securities laws, estimates of "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies. U.S. investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Accordingly, these mineral resource estimates and related information may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder, including SEC Guide 7.

FORWARD LOOKING STATEMENTS

This news release contains "forward-looking statements" and "forward looking information" (together "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the economic potential, associated costs and future production performance of the Kapan expansion Project outlined by the PEA, the future price of gold and silver, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production and output, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on the opinions, assumptions and estimates of management and QP's as of the date such statements are made or as of the date they are indicated to be made. Key opinions, assumptions and estimates that apply are discussed herein and in the Technical Report. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: the uncertainties inherent to a PEA, which has a lower level of confidence than feasibility studies, the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, copper, zinc and silver; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, fluctuations in metal prices, the risks inherent in operating in Armenia, including without limitation, political, activists and social risks, risks associated with corruption, differences with respect to the legal system and the rule of law and as well as those risk factors discussed or referred to in Management's Discussion and Analysis under the heading "Risks and Uncertainties" and other documents filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Unless required by securities laws, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

NON-GAAP FINANCIAL MEASURES

Estimated EBITDA, cash cost per tonne of material processed, cash cost per ounce of gold sold, net of by-product credits and sustaining capital are not defined measures under International Financial Reporting Standards ("IFRS"). Management and certain investors use this information to assess the Company's performance and also determine the Company's ability to generate cash flow for investing activities. In addition, management utilizes these metrics as an important management tool to monitor cost performance of the Company's operations. These measurements have no standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. These measurements are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Refer to the "Non-GAAP Financial Measures" section of the management's discussion and analysis for the three and six months ended June 30, 2014 for further discussion of these items.

ABOUT DUNDEE PRECIOUS METALS INC.

Dundee Precious Metals Inc. is a Canadian based, international gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals. The Company's principal operating assets include the Chelopech operation, which produces a copper concentrate containing gold and silver, located east of Sofia, Bulgaria; the Kapan operation, which produces a copper concentrate and a zinc concentrate, both containing gold and silver, located in southern Armenia; and the Tsumeb smelter, a concentrate processing facility located in Namibia. DPM also holds interests in a number of developing gold properties located in Bulgaria, Serbia, and northern Canada, including interests held through its 50.1% owned subsidiary, Avala Resources Ltd., and its 12.1% interest in Sabina Gold & Silver Corp.

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