



June 28, 2018

KOOTENAY SILVER ANNOUNCES OPTION AGREEMENT WITH CAPSTONE MINING FOR THE LA MINA PROJECT, MEXICO

Kootenay Silver Inc. (TSXV: KTN) (the “Company” or “Kootenay”) is pleased to announce that its wholly owned Mexican subsidiary has entered into an option agreement (“Agreement”) with Capstone Mining Corp. (TSX: CS) (“Capstone Mining”) on the Company’s La Mina Project (“La Mina”), located 180 kilometers southeast of the city of Hermosillo in Sonora State, Mexico. La Mina was staked by Kootenay as part of its generative property portfolio strategy and covers the upper levels of a zoned copper porphyry mineral system exposed over a 2 by 2 kilometer area.

Kootenay President & CEO, James McDonald stated: “We are pleased to have completed the Agreement with Capstone Mining and are looking forward to have them drill test this exciting copper porphyry system”.

La Mina contains a large leached argillized pyritic zone exposed at surface where surface grab and chip samples taken averaged about 300 ppm copper. This is consistent with leached zones above enriched copper deposits to the north such as at La Caridad, where the leached zone was in the 200 ppm range and overlaid an enriched deposit of 0.7% copper. [Click to view maps of copper \(%\) and gold \(gpt\) rock samples taken within the leached pyrite shell.](#)

The concessions also cover an exotica copper zone northwest of the leached pyritic shell where sampling averaged 0.49% copper over 40 rock chip samples. This zone occurs over an approximate 100 by 700-meter area. Additionally, there is a peripheral zone of silver-gold veins out bound from the copper porphyry which is classic of zonation around porphyries. Kootenay discovered the area while conducting a grass roots generative work program looking for silver deposits. [Click to view map of copper \(%\) rock samples taken within the exotica copper and polymetallic vein zones.](#)

The Agreement allows Capstone Mining to earn an initial 60% (“Initial Earn In”) interest in La Mina by making staged cash payments totalling US\$600,000 and incurring exploration expenditures totalling US\$4 million over 4 years. Following the Initial Earn In, Capstone may earn up to a 100% interest in La Mina in stages by completing certain milestones including preparation of a preliminary economic assessment, a pre feasibility study and paying an additional aggregate total of US\$8.4 million to Kootenay in stages at each of the various milestones.

The La Mina is subject to an underlying information agreement (dated May 4, 2018) between the Company and a third party whereby, the third party holds a net smelter return royalty (“Underlying Royalty”) of 2.5% on the concession. The Company has renegotiated the right to purchase on or before the beginning of commercial production up to 2% of the Underlying Royalty (“Buydown”) in increments of 0.25% for aggregate total of US\$1.6 million. The Company will pay US\$20,000 and issue 142,000 common shares of the Company to the third party upon acceptance of the TSX Venture Exchange. If Capstone Mining earns 100% interest, Kootenay will retain a 1% net smelter return with no buy out option of which 0.5% will be held by the third party after giving effect to the Buydown.

Qualified Persons

The Kootenay technical information in this news release has been prepared in accordance with the Canadian

regulatory requirements set out in National Instrument 43-101 (Standards of Disclosure for Mineral Projects) and reviewed on behalf Kootenay by James McDonald, P.Geo, President, CEO & Director for Kootenay, a Qualified Person.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

About Kootenay Silver Inc.

Kootenay Silver Inc. is an exploration company actively engaged in the discovery and development of mineral projects in the Sierra Madre Region of Mexico and in British Columbia, Canada. Supported by one of the largest portfolios of silver assets in Mexico, Kootenay continues to provide its shareholders with significant leverage to silver prices. The Company remains focused on the expansion of its current silver resources, new discoveries and the near-term economic development of two of its priority silver projects located in prolific mining districts in Sonora, State and Chihuahua, State, Mexico, respectively.

For additional information, please contact:

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

The information in this news release has been prepared as at June 27, 2018. Certain statements in this news release, referred to herein as "forward-looking statements", constitute "forward-looking statements" under the provisions of Canadian provincial securities laws. These statements can be identified by the use of words such as "expected", "may", "will" or similar terms.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Kootenay as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Many factors, known and unknown, could cause actual results to be materially different from those expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as otherwise required by law, Kootenay expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in Kootenay's expectations or any change in events, conditions or circumstances on which any such statement is based.

Cautionary Note to US Investors: *This news release may contain information about adjacent properties on which we have no right to explore or mine. We advise U.S. investors that the SEC's mining guidelines strictly prohibit information of this type in documents filed with the SEC. U.S. investors are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on our properties. This news release may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, potential mineral recovery processes, etc. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.*

This press release uses the terms "Measured", "Indicated", and "Inferred" resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of a Mineral Resource is economically or legally mineable.

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