



February 26, 2016
Shares Outstanding: 79,421,397

KOOTENAY SILVER INC. REPORTS NORTHAIR SILVER AND PAN AMERICAN SILVER TRANSACTIONS ADVANCING AS PER SCHEDULE

Vancouver, BC – Kootenay Silver Inc. (TSX.V: KTN) (“Kootenay”) is pleased to announce that its acquisition of Northair Silver Corp. (TSX.V: INM) (“Northair”) announced on January 13, 2016, is advancing to closing as anticipated by Kootenay’s management. Kootenay expects that Northair shareholders will be provided with the Northair information circular in respect of the Northair transaction in mid-March with the Northair shareholder meeting being scheduled for April 14, 2016. Closing of the Northair transaction is expected to occur on or about April 20, 2016.

In addition, Kootenay expects that Pan American Silver Corp.’s (TSX: PAA, NASDAQ: PAAS) (“Pan American”) private placement investment in Kootenay of CDN\$2,000,000 for an aggregate of 9,090,909 Kootenay shares at a price of CDN\$0.22 per Kootenay share (the “**Subscription Price**”), as announced on February 16, 2016 (the “**First Tranche Investment**”), is expected to close in the first half of March. In addition to the First Tranche Investment, as part of the transaction with Pan American, Pan American has the right to subscribe for additional Kootenay shares at the Subscription Price in order to retain up to a 10% ownership interest in Kootenay, calculated subsequent to the closing of the Kootenay-Northair transaction (the “**Second Tranche Investment**”). If the Second Tranche Investment option is exercised, Pan American would subscribe for up to 5,765,410 additional Kootenay shares at the Subscription Price for aggregate proceeds of up to CDN\$1,268,390.

Kootenay President and CEO James McDonald stated: *“This is an exciting time for Kootenay and Northair shareholders. The Kootenay-Northair transaction alongside the concurrent financing and option arrangement with Pan American, announced on February 16, 2016, puts us in a strong position to build on our consolidation platform and to advance both the La Negra and La Cigarra assets. I look forward to updating both the Kootenay shareholders and Northair shareholders as we continue to grow.”*

About Kootenay

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. The Company’s top priority is the advancement of precious metals projects contained within its Promontorio Mineral Belt in Sonora, Mexico. This includes its La Negra high-grade silver discovery and its Promontorio silver resource. Kootenay’s core objective is to develop near term discoveries and long-term sustainable growth. Management comprises proven professionals with extensive international experience in all aspects of mineral exploration, operations and venture capital markets. Multiple, ongoing J/V partnerships in Mexico and Canada maximize potential for additional new discoveries while maintaining minimal share dilution.

For additional information, please contact:

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or visit: www.kootenaysilver.com

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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this news release has been prepared as at February 25, 2016. 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 "is", "advancing", "experts", "will" or similar terms.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Kootenay and Pan American as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements in this press release relate to, among other things: the timing and expected closing date of the First Tranche Investment, the Second Tranche Investment and the Kootenay-Northair transaction; the timing and receipt of required stock exchange and regulatory approvals for the First Tranche Investment, the Second Tranche Investment and the Kootenay-Northair transaction; the ability of Kootenay and Pan American to satisfy the other conditions to, and to complete, the First Tranche Investment, the Second Tranche Investment and the Kootenay-Northair transaction; length of the current market cycle and the requirements for an issuer to survive the current market cycle and future growth potential for Kootenay; the ability of Kootenay and its subsidiary to maintain their rights and title to the Promontorio and La Negra deposits; and Kootenay and its subsidiary's properties in the Promontorio Mineral Belt reaching production. 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. Forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made and are based upon a number of assumptions and estimates that, while considered reasonable by the respective parties, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements and the parties have made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: satisfaction or waiver of all applicable conditions to closing of the First Tranche Investment, the Second Tranche Investment and the Kootenay-Northair transaction including, without limitation, receipt of all necessary stock exchange and regulatory approvals or consents and lack of material changes with respect to the parties and their respective businesses; the synergies expected from the First Tranche Investment, the Second Tranche Investment and the Kootenay-Northair transaction not being realized; fluctuations in general macro-economic conditions; fluctuations in securities markets and the market price of Kootenay's shares; fluctuations in the spot and forward price of silver, base metals or certain other commodities; fluctuations in the currency markets (such as the Canadian dollar versus the U.S. dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding); inability to obtain adequate insurance to cover risks and hazards; and the presence of laws and regulations that may impose restrictions on mining; employee relations; relationships with and claims by local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses, permits and approvals from government authorities; title to properties; the failure to meet the closing conditions thereunder and the failure by counterparties to such agreements to comply with their obligations thereunder. Readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times. 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, Northair, and Pan American expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in Kootenay's, Northair's, or Pan American's expectations or any change in events, conditions or circumstances on which any such statement is based.

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