



Kootenay Announces Closing of \$6 million in Financings

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July 28, 2016, (Vancouver, BC) – Kootenay Silver Inc. (TSXV:KTN) ("Kootenay" or the "Company") is pleased to announce that it has closed its previously announced brokered private placement (the "Offering") with Haywood Securities Inc. (the "Agent"). An aggregate of 12,937,500 units (the "Units"), including 675,000 Units issued as a result of the exercise in full of the Agents' over-allotment option, were sold under the Offering at a price of \$0.40 per Unit (the "Offering Price") for total gross proceeds to the Company of \$5,175,000.

In addition, the Company has closed a concurrent non-brokered private placement of 2,135,790 Units at the Offering Price, which includes participation by Pan American Silver Corp. to maintain its pro-rata ownership position, for additional gross proceeds to the Company of \$854,316.

The aggregate gross proceeds of the Offering and the non-brokered private placement are \$6,029,316.

Each Unit consists of one common share and one-quarter of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to acquire one common share (a "Warrant Share") at an exercise price per Warrant Share of \$0.55 until April 21, 2021. The Warrants have identical terms to the 23,103,969 listed warrants (the "Listed Warrants") of the Company currently outstanding and trading under the ticker 'TSXV: KTN.WT'.

The net proceeds of the Offering will be used to fund the exploration and development of the Company's La Cigarra project in Mexico and for general working capital purposes.

All securities issued pursuant to the Offering are subject to a four month hold period under applicable securities laws in Canada, ending November 29, 2016. Subject to compliance with the policies of the TSX Venture Exchange ("TSXV"), the Company has received the TSXV's conditional acceptance to list the Warrants on the TSXV with the Listed Warrants, upon the expiry of the four month hold period.

In connection with the Offering, the Company paid the Agent a cash commission equal to 6% of the gross proceeds of the Offering, and issued the Agent compensation warrants exercisable to acquire up to 388,125 common shares of the Company at an exercise price of \$0.55 per share until July 28, 2017. In connection with the non-brokered private placement the Company paid to finders at arm's length, an aggregate finders' fee of \$15,000 in cash and issued the finders' compensation warrants exercisable to acquire up to 18,750 common shares of the Company at an exercise price of \$0.55 per share until July 28, 2017.

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein in the United States. The securities described herein have not been and will not be registered under the United States Securities Act of 1933, as amended, or any State Securities Laws and may not be offered or sold in the United States or to the account or benefit of a U.S. person absent an exemption from the registration requirements of such Act.

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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. The Company's top priorities are the advancement of the La Cigarra silver project and the Promontorio Mineral Belt, in Chihuahua, Mexico and Sonora, Mexico, respectively. The La Cigarra property is 26 kilometres from the historic mining city of Parral and boasts nearby power, good road access, gentle topography, and established infrastructure. La Cigarra currently hosts a resource estimate of 18.54 million tonnes containing 51.47 million ounces of silver in the Measured & Indicated categories grading 86.3 g/t silver and 4.45 million tonnes containing 11.46 million ounces of silver in the Inferred category grading 80 g/t silver. The mineralized system at La Cigarra has been traced over 6.5 kilometres and is defined at surface as a silver soil anomaly and by numerous historic mine workings. The La Cigarra silver deposit is open along strike and at depth and is approximately 25 kilometres north, and along strike, of Grupo Mexico's Santa Barbara mine and Minera Frisco's San Francisco del Oro mine. The Promontorio Mineral Belt includes the Company's La Negra high-grade silver discovery and its Promontorio Silver Resource. The Promontorio Mineral Belt is under option to Pan American Silver whereby they can earn a 75% interest in the project with US\$16 million of expenditures and payments with Kootenay retaining a 25% carried to production interest (see news releases dated February 16 and March 4, 2016). The Promontorio Silver Resource currently hosts a resource estimate of 44.5 million tonnes containing 92 million ounces of silver equivalent in the Measured & Indicated categories grading 64.3 g/t silver equivalent and 14.6 million tonnes containing 24.3 million ounces of silver equivalent in the Inferred category grading 52 g/t silver equivalent. The Company's core objective is to create value by acquiring silver resources through discovery and acquisition and testing those resources with the ultimate goal of developing them into silver production if they are proven to be economically viable.

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.

Forward Looking Information

The information in this news release has been prepared as at July 28, 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 "expected", "may", "will" or similar terms, and include, without restriction, Kootenay's planned use of the net proceeds of the Offering

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.

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