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**KOOTENAY REPORTS METALLURGICAL TESTING ON LA CIGARRA DEPOSIT
RETURNS ENHANCED SILVER RECOVERIES UTILIZING SILVOX PROCESS**

Kootenay Silver Inc. (TSXV: KTN) (the “Company” or “Kootenay”) is pleased to report results from preliminary metallurgical testing on its La Cigarra Silver Project in Chihuahua State, Mexico, applying the proprietary Silvox Technologies Inc. (“SILVOX”) process which indicates a marked improvement in cyanide leaching for silver recoveries versus industry standard leaching processes previously applied to the deposit.

James McDonald, P.Geo, President and CEO stated, “Although additional metallurgical testing using standard and SILVOX processes will be required to further assess silver recoveries, results from preliminary testing utilizing the SILVOX process are highly encouraging. The ability to achieve enhanced silver recoveries could have a profound impact on the economic viability of La Cigarra and its potential near-term development as a low-cost, open-pit heap leach operation. Further detailed metallurgical testing using standard and SILVOX processes is expected to be completed in the near future”.

Initial bottle roll (“BR”) testing using industry standards (“standard”) and SILVOX processes were recently completed using a typical 48 hour period at minus ¼ inch crush size from a bulk sample collected from La Cigarra. Standard cyanide leaching returned an estimated 38% silver recovery compared to a range of 44% to 52% from the SILVOX process, a 6% to 14% increase in silver recovery.

Additionally, two column tests using the SILVOX process were completed indicating potential for higher silver recovery than the BR test results. These tests were completed over a 120 day period at minus ¼ inch crush size with results suggesting at silver recovery of 52% to 58%. Column tests were not conducted to sufficient QA/QC but may suggest potentially higher recoveries than BR testing.

The results of 5 bottle rolls on a bulk sample composite are shown in the chart below. Four are labeled SILVOX 1 through 4 employing the SILVOX process while the one labeled Standard used industry standard cyanide leach methods. Reagent cost per tonne shows potential economic viability of the SILVOX process with both lower and higher costs compared to standard cyanide leaching.

Test Type	Standard	SILVOX 1	SILVOX 2	SILVOX 3	SILVOX 4
Head Grade g/t Silver	90.0	81.0	87.0	77.0	72.0
Silver Recovery	38%	44%	45%	51%	52%
Incremental Recovery Improvement	Base	6%	7%	13%	14%
Total Reagent Cost per Tonne	\$2.88	\$1.78	\$2.33	\$3.86	\$5.82

Note: La Cigarra bulk sample crushed to minus ¼ inch with 48 hour standard BR testing. Reagent cost assumes; \$2.50/kg for CN, \$0.12/kg for lime and \$0.1 to \$4.0/kg for SILVOX

Metallurgical laboratory testing was conducted on composited samples from 10 representative core holes and 4 surface samples taken from outcrop, trenches and open cuts in the Las Carolinas and San Gregorio zones of the La Cigarra deposit. All BR testing was conducted by ALS Metallurgy in Kamloops, B.C. Column testing was completed by Laboratorio Metalurgico S.A. de C.V., a division of Sonora Naturals S.A. de C.V. in Hermosillo, Mexico.

A comprehensive metallurgical study will be undertaken using standard and SILVOX processes to assess variability across the La Cigarra deposit. Initially, additional BR tests will include two crush sizes of minus ¼ inch and minus 3/8 inch for both oxide and sulfide material. Further column testing to qualified standards will also be conducted.

Upon confirmation of the detailed test work and ongoing resource re-modelling, a Preliminary Economic Assessment (“PEA”) will be considered for La Cigarra. The PEA would focus on the development of La Cigarra as an open pit heap leach operation transitioning into a milling operation with higher grade sulfides. Heap leach operations typically have much lower capital requirements and lower operational costs over milling.

Silvox Technologies Inc. is a Canadian private company providing a proprietary process (“SILVOX PROCESS”) to the mining industry that enhances silver recoveries by simply augmenting standard heap leach and conventional milling recovery methods. SILVOX PROCESS requires minimal capital investment and can be easily integrated into operations. The proprietary process has been confirmed with certified lab testing and associated fieldwork on several deposits over the past two years. Test results show increased silver recoveries of up to 30% implying potential attractive profit margins with respect to increased recovery versus processing costs. Successful introduction of SILVOX PROCESS could result in making an economic project more robust or be the difference between a sub-economic project and one that is economically viable. For more information contact: info@silvoxtech.com

Sampling and QA/QC

All technical information for the La Cigarra exploration program is obtained and reported under a formal quality assurance and quality control (“QA/QC”) program. Samples are taken under the direction of qualified persons and stored in sealed bags. Samples were delivered to ALS Minerals (“ALS”) in Kamloops, B.C. and Sonora Naturals S.A. de C.V. in Hermosillo, Sonora. Analysis for silver, zinc, lead and copper and related trace elements was done by ICP four acid digestion, with gold analysis by 30 gram fire assay with an AA finish.

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.

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 kilometers 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 gpt silver and 4.45 million tonnes containing 11.46 million ounces of silver in the Inferred category grading 80 gpt silver. The mineralized system at La Cigarra has been traced over 6.5 kilometers 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 kilometers 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 release 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 gpt silver equivalent and 14.6 million tonnes containing 24.3 million ounces of silver equivalent in the Inferred category grading 52 gpt 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.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

The information in this news release has been prepared as at January 20, 2017. 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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