



July 7, 2016

Kootenay Update on Option with Pan American Silver: 3,400 Meter Drill Program Underway on La Negra Silver Discovery in Sonora, Mexico

Kootenay Silver Inc. (TSXV: KTN) (the “Company” or “Kootenay”) is pleased to announce its partner Pan American Silver has updated the Company on exploration activities on the Promontorio-La Negra silver prospect, contained within the Promontorio Mineral Belt in Sonora, Mexico. A 3,400 meter diamond drilling program is underway and will consist of approximately 18 drill holes. The program will further test the La Negra Breccia as well as two additional targets identified to date.

States Kootenay President and CEO James McDonald “We are very pleased with the results to date from Pan American’s exploration activities on Promontorio-La Negra. The La Negra silver discovery is a premier exploration target that demonstrates excellent potential to evolve into a low-cost, open-pittable silver resource. We are excited the drill campaign on La Negra is underway and look forward to reporting results as they are received from the program.”

Promontorio - La Negra Silver Discovery

The La Negra Breccia prospect is situated approx. 6.5 kms north of Kootenay's Promontorio Silver Resource in Sonora, Mexico and is contained within a 25 x 15 km mineralized corridor, the 'Promontorio Mineral Belt.' Initial exploration on La Negra included a successful trenching and surface sampling program that confirmed extensive silver mineralization over a large 100 to 200 meters by 500 meters area on surface. (See news releases from May 28th and June 5th, 2014 for more details). A follow up Phase I drill program on La Negra returned significant and consistent intervals of high grade, widespread silver mineralization extending from surface to depth, confirming a substantial new silver discovery. (See news releases, 'Drill Results' Oct. 15, 2014, Nov. 26, 2014 and Dec 3, 2014 for more details.)

Results from a Phase II drilling program on La Negra further confirmed the continuity of silver grades and the consistency of silver mineralization to depth within the core of the diatreme breccia. (See news releases from March 31st, April 30th and May 20th, 2015 for more details). The program also further reinforced La Negra’s future potential as a low-cost, open pitable silver resource. Development of La Negra is currently under an option agreement with Pan American Silver Corp. (See News Release dated February 16, 2016 for more details.)

Warrant Extension

The Company also announces that it has, subject to regulatory approval, amended the expiry date of an aggregate total of 7,246,833 unexercised share purchase warrants by a further 6 months.

Pursuant to the non-brokered unit private placement that closed in two tranches with an initial tranche closing on July 18, 2014, for a total of 5,443,500 warrants being issued expiring July 18, 2016 and the final tranche closing on August 18, 2014, for a total of 1,803,333 warrants being issued expiring on August 18, 2016, all of which currently remain outstanding. The expiry date will be extended by 6 months to January 18 and February 17, 2017 for the respective tranches. The terms of the warrants will remain unchanged, including exercise price per warrant remaining at \$0.55.

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 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 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 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.

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 July 6, 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.

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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