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KOOTENAY ANNOUNCES RESULTS FROM CHANNEL SAMPLING PROGRAM ON ADIT IN SAN GREGORIO ZONE AT LA CIGARRA SILVER PROJECT, MEXICO

Kootenay Silver Inc. (TSXV: KTN) (the “Company” or “Kootenay”) is pleased to announce results from comprehensive mapping and channel sampling conducted on an historical underground adit contained within the San Gregorio Zone at its La Cigarra silver project in Chihuahua State, Mexico.

The detailed work program on the underground adit was carried out by Kootenay in an effort to model a series of known underlying high-grade silver zones that are contained within the Company’s NI 43-101 La Cigarra silver deposit. Data compiled from the program will assist the Company in gaining an understanding what controls the high-grade mineralization contained within the deposit and will assist in further defining a series of silver targets for future drill programs.

James McDonald, President & CEO of Kootenay Silver stated, "We are very pleased with the latest exploration data we have gained from the San Gregorio underground adit. Results from the current program, combined with our ongoing re logging efforts and previous data we have obtained through prior exploration programs, support our effort to design a drill program to test the extensions of the current resource, which remains open along strike and to depth. Upon completion of the prerequisite work, we look forward to initiating a drill program aimed at expanding our established silver resource, starting sometime in the first quarter of 2017."

The exploration program included a total of 34 channel samples taken across walls on the inside of the adit. The combined results from all the samples carried a weighted average silver grade of approximately 89 gpt, which corresponds with the average silver grade contained within the current silver resource estimate. Detailed results of the channel samples taken within the adit are included in the table below and are also highlighted in the map found in the following link: [San Gregorio Adit Silver Values](#).

San Gregorio Underground Adit Sampling Results

Sample #'s	Type	Width (meters)	Silver (gpt)	Gold (gpt)	Lead (ppm)
9, 10, 25, 26, 27,28,29,30,31	Channel	17.5	130	0.136	773
9	Channel	2.0	536	0.189	1610
13	Channel	1.0	569	0.193	2840
24	Channel	1.0	195	0.088	1000
11,12,23	Channel	5.5	173	0.147	1386
14,15,16,17,18,19	Channel	12.0	49	0.110	1030
32,33,34	Channel	6.0	28	0.185	890
1,2,3,4,5,6,7,8	Channel	16.0	15	0.160	785
20,21,22	Channel	6.0	12	0.027	1080

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 geologists and stored in sealed bags. Samples are delivered by the Company via courier to ALS Minerals ("ALS") in Chihuahua. The samples are dried, crushed and pulverized with the pulps being sent airfreight for analysis by ALS in Vancouver B.C. Systematic assaying of standards is performed for precision and accuracy. 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.Geol, President, CEO & Director for Kootenay, a Qualified Person for the purpose of National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

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 10, 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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