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Silver Price Sensitivity Analysis Further Supports 60+ Million Ounce Silver Equivalent Resource on Promontorio Silver Project in Sonora, Mexico

Kootenay Silver Inc. (TSX VENTURE: KTN.V) is pleased to report the Company has completed a sensitivity analysis of varying metal prices at 18, 24 and 36-month trailing averages, further supporting the recent updated NI 43-101 resource estimate conducted on the Company’s flagship Promontorio Silver Project in Sonora, Mexico.

An industry standard, 18 month trailing average was used in the NI 43-101 Resource estimate recently completed by SRK Consulting (U.S.) Inc. as reported August 21, 2012.

States Kootenay President and CEO James McDonald “When you apply even the most conservative metal prices observed during the 18 to 36 month period, there is less than a 4% variance in Promontorio’s measured and indicated resource. This is due to the impact of the high silver grades in the diatreme system, which is also exciting as it has a positive impact on the economic dynamics of the resource. Moreover, using the lowest metal prices observed over the three-year period, Promontorio still maintains a benchmark measured and indicated silver equivalent resource totaling over 60 million ounces.”

Sensitivity Table for 18, 24, and 36 month metal prices*

Total M+I Resource: Open Pit and Underground

Metal Prices Used*	AgEq	Ag	Pb	Zn	Tonnes	Grade			
	M Oz	M Oz	M Lbs	M Lbs	Mt	AgEq (gpt)	Ag (gpt)	Pb (%)	Zn (%)
18 Month	61.7	37.5	372.9	436.9	37.4	51	31	0.45	0.53
24 Month	62.8	36.9	368.1	430.9	35.9	54	32	0.46	0.54
36 Month	65.6	36.1	360.0	421.1	33.8	60	33	0.48	0.56

Total Inferred Resource: Open Pit and Underground

Metal Prices Used*	AgEq	Ag	Pb	Zn	Tonnes	Grade			
	M Oz	M Oz	M Lbs	M Lbs	Mt	AgEq (gpt)	Ag (gpt)	Pb (%)	Zn (%)
18 Month	14.5	9.6	77.6	85.3	9.7	46	31	0.36	0.40
24 Month	14.3	9.2	73.9	81.4	9.0	49	32	0.37	0.41
36 Month	13.5	8.3	64.7	71.7	7.4	56	35	0.39	0.44

* Refer to News Release from August 21, 2012. SRK calculated silver equivalencies using these 24 and 36 month metal prices. Kootenay conducted a study of the effects of these different equivalencies on the cutoff grades and mineral resources contained within the break-even pit shell based on the 18-month metal prices.

* 18 Month Prices Used: Ag \$34/oz, Pb \$1.07/lb, Zn \$0.97/lb, Open Pit Cutoff 15 gpt AgEq, Underground Cutoff 35 gpt AgEq

* 24 Month Prices Used: Ag \$31/oz, Pb \$1.04/lb, Zn \$0.97/lb, Open Pit Cutoff 17 gpt AgEq, Underground Cutoff 38 gpt AgEq

* 36 Month Prices Used: Ag \$26/oz, Pb \$1.01/lb, Zn \$0.96/lb, Open Pit Cutoff 20 gpt AgEq, Underground Cutoff 45 gpt AgEq

* Silver equivalency is based on unit values calculated from the above metal prices, and assumes 100% recovery of all metals.

* Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding

The following table shows the impact of varying cutoffs on the Promontorio Resource at 10, 15, 20 and 25 gpt silver equivalent ounces with 15 gpt silver equivalent ounces being the cutoff used in the resource estimate.

Impact of Varying Cutoffs on Promontorio Resource*

Total Measured and Indicated Resource: Open Pit and Underground

AgEq Cutoffs Used* (Open Pit / Underground)	AgEq	Ag	Pb	Zn	Tonnes	Grade			
	M Oz	M Oz	M Lbs	M Lbs	Mt	AgEq (gpt)	Ag (gpt)	Pb (%)	Zn (%)
10 gpt / 22 gpt	65.9	40.1	397.3	466.7	45.4	45	27	0.40	0.47
15 gpt / 35 gpt	61.7	37.5	372.9	436.9	37.4	51	31	0.45	0.53
20 gpt / 45 gpt	58.0	35.2	351.9	411.2	31.9	57	34	0.50	0.59
25 gpt / 58 gpt	54.3	32.9	330.1	384.8	27.2	62	38	0.55	0.64

Total Inferred Resource: Open Pit and Underground

AgEq Cutoffs Used* (Open Pit / Underground)	AgEq	Ag	Pb	Zn	Tonnes	Grade			
	M Oz	M Oz	M Lbs	M Lbs	Mt	AgEq (gpt)	Ag (gpt)	Pb (%)	Zn (%)
10 gpt / 22 gpt	19.5	12.7	108.9	119.3	16.4	37	24	0.30	0.33
15 gpt / 35 gpt	14.5	9.6	77.6	85.3	9.7	46	31	0.36	0.40
20 gpt / 45 gpt	11.7	7.9	60.4	67.2	6.7	54	36	0.41	0.45
25 gpt / 58 gpt	9.9	6.7	50.3	56.5	5.1	61	41	0.45	0.51

* Refer to News Release from August 21, 2012

* 18 Month Prices Used: Ag \$34/oz, Pb \$1.07/lb, Zn \$0.97/lb

* Silver equivalency is based on unit values calculated from the above metal prices, and assumes 100% recovery of all metals.

* Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding

<http://www.kootenaysilver.com/i/pdf/Prom-2012-08-31v3.pdf>

The foregoing geological disclosure has also been reviewed and verified by Kootenay's CEO, James McDonald, P.Geo (a qualified person for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects). Mr. McDonald is a director of Kootenay.

ABOUT KOOTENAY

Kootenay Silver Inc. is actively developing mineral projects in the Sierra Madre Region of Mexico and in British Columbia, Canada. Its flagship property is the former producing Promontorio Silver mine in Sonora State, Mexico. Kootenay's objective is to develop near term discoveries and long-term sustainable growth. Its management and technical team are 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.

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The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or the accuracy of this release.

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