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KOOTENAY UPDATES WORK PROGRAM ON THE PROMONTORIO DIATREME BRECCIA. DRILL PROGRAM SET TO RESUME EARLY SEPTEMBER

ANALYSIS OF NEW DATA FROM RESULTS UNDERSCORE PROJECT'S EXPANSION POTENTIAL

Kootenay Silver Inc. (TSX VENTURE: KTN.V) In August 2012, Kootenay Silver ("Kootenay") announced a Measured and Indicated ("M&I") resource estimate which was subsequently updated with the inclusion of the gold resource potential at Promontorio in May 2013. The current resource estimate contains M&I resources of 44.5 million tonnes reporting 92 million ounces silver equivalent ("AgEq") (39.7M oz. Ag, 853M lbs Pb+Zn and 506,000 oz Au) for a total M&I mineral resource estimate of 92,428,000 AgEq ounces (see below for more details on resource estimate and news release of May 13, 2013).

Subsequent to the August, 2012 resource estimate, Kootenay has undertaken extensive exploration which included: a drill program (16,400 metres) testing numerous peripheral anomalies and extensions of the known mineralization; re-interpretation of the geophysics; geologic mapping; re-interpretation of previous mapping and a soil survey program. Interpretation of this new data with the earlier database has outlined:

- A. Areas of potential expansion of the known M&I resource.**
- B. Target zones where drilling shows potential for up-grading category from inferred resource.**
- C. New zones of resource potential outside drilled areas.**
- D. Discovery and outline of numerous newly recognized breccia pipes in the diatreme system.**

States Kootenay President and CEO James McDonald "The current work has identified numerous additional priority areas with potential to sharply expand resources. Especially noteworthy are the high silver grades in drill holes DH 185 to 188 (see news release June 4, 2013). Sitting between the NE and Pit zones, these holes show potential for the existence of a high-grade core that may connect to high grades previously identified in the NE Zone. As we approach our 100 million ounce silver equivalent milestone on Promontorio, we are excited about starting the next drill phase to test this new area of high grade silver mineralization along with the many other targets identified."

A. Potential extensions of M&I resources of breccia and stockwork mineralization have been outlined in both the Pit and NE zones by analysis of the database including recent drilling results. This analysis and interpretation of the data compiled into 39 cross-sections with 188 drill holes across the Whittle Pit included: the 30Mv IP anomaly; the gold, silver, lead, zinc, arsenic, antimony and manganese geochemical distribution; the hydrothermal alteration of the mineralized system marked by intense sodium-strontium depletion of the rocks and the geologic setting of the diatreme complex. The results show there are numerous zones within the Pit and NE zones where mineralization remains open, both peripheral to and at depth of the known estimated resource. In addition, mineralization and alteration remain open to the northeast in the NE zone, and has been extended to the southwest for some 100 metres at depth in the Pit Zone.

B. Upgrading of the resource potential within the zone of inferred mineral resource has been documented by the new drill holes DH 185-188 (see news release June 04, 2013). High-grade sections outlined in the accompanying figure are enhanced by sections of bonanza-grade values that include drill widths of: DH 183- 3m @ 1,106 gpt AgEq (1,023 gpt Ag, 0.92 gpt Au and 1.66% Pb+Zn) within 18.4 meters of 278 gpt AgEq (208 gpt Ag, 0.92 gpt Au, 0.79% Pb+Zn) and DH 186-5m @ 1,046 AgEq (with 808 gpt Ag, 1.83gpt Ag and 6.88% Pb+Zn) within 31.7 meters of 301 AgEq (200 gpt Ag, 1.21 gpt Au, 1.79% Pb+Zn). Mineralization in this section is within and adjacent to inferred resources southwest of the NE zone. The geophysics and chemistry of the DH 185-186 section is similar to other sections in the inferred zone.

C. A new area of resource potential has been noted some 500 meters to the southwest of the Pit zone. Drill hole DH 140 intersected 70 meters of anomalous gold (103 ppb) associated with very highly anomalous manganese (1.2% over 70m) associated with strongly negative sodium and disseminated pyrite hosted within a hydrothermal, diatreme breccia system. Surface grab samples from this area reported values of gold to 4 gpt and silver to 462 gpt and of note; highly anomalous manganese values (Mn> 3000 ppm), with anomalous arsenic, sodium depletion and pyrite is characteristic of the Promontorio M&I and inferred resource area.

D. Geologic mapping has noted the presence of a number of newly recognized diatreme breccia's related to the SW-NE trending Promontorio Breccia Corridor and represent newly discovered breccia corridors ([click to view map](#)). Of note, some 500m north of the Pit zone, a newly recognized NW-SE trending breccia corridor has been discovered. The SE trending strike of this corridor intersects and crosses the Promontorio Breccia corridor in the vicinity of the DH 185-188 mineralization. Along this trend carbonate cemented hydrothermal breccia's are associated with strongly anomalous silver, lead, zinc and gold mineralization in surface grab samples. Interpretation of existing IP data to identify electrically conductive zones shows 3 conductive targets within and adjacent to this NW-SE trend. A fourth conductor sits immediately to the west of the Dorotea trend. Known mineralization at Promontorio is conductive. South of the Whittle Pit boundary two-zones of highly anomalous gold mineralization are noted in stockworking. One kilometer northwest of the Pit zone, a zone of highly anomalous IP has been noted, correlative with a previously known breccia and alteration zone where prospecting sampling has noted gold values of 6 gpt associated with albite and tourmaline alterations. Readers are cautioned that the Company must complete additional drilling to demonstrate additional potential in the specified areas.

The management and the technical team of Kootenay Silver believe the recognition of these diatreme breccias greatly enhances the potential size and intensity of the Promontorio Diatreme Breccia Complex as it enters its next phase of strategic drilling on the Promontorio Silver Project. The next phase of drilling is scheduled to begin in early September the details of which will be released once the various drill targets are prioritized and number of holes and meters required to test the various targets are final.

Current NI 43-101 Compliant Silver Resource

The current mineral resource estimate on Promontorio (See Kootenay News Release---May 14, 2013) contains a combined measured and indicated resource of 92,428,000 silver equivalent ounces (39.9M oz's Ag, 508K oz's Au, 394.8M lb's Pb, and 462.2M lb's Zn). In addition to the measured and indicated silver resources, there are an additional 26,814,000 silver equivalent ounces in the Inferred category (12.8M oz's Ag, 147 oz's Au, 99.5M lb's Pb, 109.1M lb's Zn). Measured and Indicated resources are contained in open pit resources of 44,504,000 tonnes grading an average of 64.32 gpt silver equivalent (27.77 gpt Ag, 0.35 gpt Au and 0.87% Pb+Zn) and resources outside of the open pit of 215,000 tonnes grading an average of 56.96 gpt silver equivalent (22.89 gpt Ag, 0.28 gpt Au and 0.95% Pb+Zn). Inferred resources are within open pit resources of 14,564,000 tonnes grading an average of 51.95 gpt silver equivalent (24.95 gpt Ag, 0.28 gpt Au and 0.59% Pb+Zn) and resources outside of the open pit of 1,265,000 tonnes grading an average of 61.17 gpt silver equivalent (26.57 gpt Ag, 0.37 gpt Au and 0.74% Pb+Zn).

The foregoing geological disclosure has 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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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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