



**PRESS RELEASE
FOR IMMEDIATE RELEASE**

**March 4, 2016
Shares Outstanding: 88,512,306**

**KOOTENAY ANNOUNCES CLOSING OF CDN\$2,000,000 PRIVATE PLACEMENT BY
PAN AMERICAN SILVER**

Vancouver, BC – Kootenay Silver Inc. (TSX.V: KTN) (“Kootenay”) is pleased to announce that it has closed the private placement transaction with Pan American Silver Corp. (**TSX: PAA, NASDAQ: PAAS**) (“**Pan American**”), previously announced and described in Kootenay’s news releases dated February 16, 2016 and February 26, 2016, pursuant to which Pan American has subscribed for 9,090,909 Kootenay shares at a price of CDN\$0.22 per Kootenay share for an aggregate subscription price of CDN\$2,000,000 (the “**Private Placement**”).

Concurrent with, and as part of the conditions to, closing of the Private Placement:

- Pan American’s wholly owned subsidiary Compania Minera Dolores S.A. de C.V. (“**Dolores**”) has paid to Kootenay’s wholly owned subsidiary Minera JM, S.A. de C.V. (“**Minera**”) a payment of US\$250,000 (plus applicable Mexican taxes) pursuant to the Option Agreement dated February 15, 2016 entered into among Kootenay, Pan American, Minera, and Dolores (the “**Option Agreement**”); and
- Pan American, Dolores, and Minera have entered into a property purchase option agreement pursuant to which Dolores has provided Minera with an option to acquire up to two of its exploration properties in Mexico in return for a 2.5% net smelter return royalty on each of the acquired properties.

Kootenay President and CEO James McDonald stated, “*The Option Agreement represents a significant milestone in the development of La Negra that creates a pathway to fulfilling our goal to advance the project towards production and to further explore key prospective areas within the Promontorio Mineral Belt. As a world leading silver producer, Pan American brings to Kootenay an unparalleled track record in silver exploration and mine development. This expertise is a major benefit to Kootenay shareholders and will undoubtedly play a vital role in our future success. The Pan American option leverages Kootenay’s considerable investment in the project to date. We believe that working together, Kootenay and Pan American have the capability to fully exploit the upside potential of these emerging assets.*”

The Company intends to use the net proceeds of the Private Placement for exploration activities and corporate purposes. All Kootenay shares issued to Pan American pursuant to the Private Placement will be subject to a four month hold period expiring July 4, 2016.

About Kootenay

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 priority is the advancement of precious metals projects contained within its Promontorio Mineral Belt in Sonora, Mexico. This includes its La Negra high-grade silver discovery and its Promontorio Silver Resource. Kootenay's core objective is to develop near term discoveries and long-term sustainable growth. Management comprises 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.

Kootenay Silver Inc.

James McDonald: (403) 238-6986
President, CEO & Director

Ken Berry: (604) 601-5652
Chairman

Neither the TSX Venture Exchange nor TSX Exchange or its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange or the TSX Exchange) accepts responsibility for the adequacy or accuracy of this release.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this news release has been prepared as at March 3, 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 phrases such as "will", "have", or similar terms.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Kootenay and Pan American as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements in this press release relate to, among other things: Dolores exercising the Option, length of the current market cycle and the requirements for an issuer to survive the current market cycle and future growth potential for Kootenay ; the ability of Kootenay and Minera to maintain their rights and title to the Promontorio and La Negra deposits during the term of the Option; the ability of Dolores to maintain its rights and title to its exploration properties; and Minera's properties in the Promontorio Mineral Belt reaching production. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made and are based upon a number of assumptions and estimates that, while considered reasonable by the respective parties, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements and the parties have made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: fluctuations in general macro-economic conditions; fluctuations in securities markets and the market price of Kootenay's shares; fluctuations in the spot and forward price of silver, base metals or certain other commodities; fluctuations in the currency markets (such as the Canadian dollar

versus the U.S. dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding); inability to obtain adequate insurance to cover risks and hazards; and the presence of laws and regulations that may impose restrictions on mining; employee relations; relationships with and claims by local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses, permits and approvals from government authorities; title to properties; the failure to meet the closing conditions thereunder and the failure by counterparties to such agreements to comply with their obligations thereunder. Readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times. 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 and Pan American expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in Kootenay's or Pan American's expectations or any change in events, conditions or circumstances on which any such statement is based. **2016-07**