

Kootenay Announces Increase to Equity Financing and Pan American Silver's Intention to Exercise Participation Right

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July 8, 2016, (Vancouver, BC) – Kootenay Silver Inc. (TSXV:KTN) ("Kootenay" or the "Company") is pleased to report that, in connection with its previously announced private placement offering of units (the "Units") at a price of \$0.40 per Unit (the "Offering Price"), it has amended its agreement with Haywood Securities Inc. (the "Agent") to increase the amount of the Offering from 10,000,000 Units to up to 11,250,000 Units for aggregate gross proceeds of up to \$4,500,000 (the "Offering"). In addition, the Company is pleased to announce that Pan American Siver Corp. (TSX: PAA, NASDAQ: PAAS)("Pan American") has indicated it intends to exercise its participation right in full to maintain its pro-rata 10% interest in the Company. As a result, Pan American will subscribe for up to an additional 1,250,000 Units at the Offering Price for aggregate gross proceeds of up to \$500,000 (the "Non-Brokered Offering").

The number of additional Units that may be acquired under the option granted to the Agent (the "Agent's Option") has also been increased from 1,500,000 Units to 1,687,500 Units. The Agent's Option is exercisable in whole or in part by giving notice to the Company at any time up to 48 hours prior to the closing date. As previous disclosed, each Unit shall consist of one common share and one-quarter of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one common share (a "Warrant Share") at a price per Warrant Share of \$0.55 for a period ending April 21, 2021. The Warrants will have identical terms to the 23,103,969 listed warrants (the "Listed Warrants") of the Company currently outstanding and trading under the ticker 'TSXV: KTN.WT'. Assuming the completion of the Offering, the exercise of the Agent's Option, and the Non-Brokered Offering, the Company will issue 14,187,500 Units for aggregate gross proceeds of \$5,675,000.

The net proceeds of the Offering will be used to fund the exploration and development of the Company's La Cigarra project in Mexico and for general working capital purposes.

All securities to be issued pursuant to the Offering will be subject to a four month hold period under applicable securities laws in Canada. Subject to compliance with the policies of the TSX Venture Exchange, the Company will apply to list the Warrants on the TSXV with the Listed Warrants, on the expiry of the four month hold period.

The Offering is expected to close on or before July 28, 2016 (the "Closing"). Closing of the Offering is subject to certain conditions customary for financings of this kind, including, but not limited to, the receipt of all necessary approvals including approval and acceptance by the TSX Venture Exchange. The Company has agreed to pay the Agent a cash commission of 6% of the gross proceeds raised under the Offering including on exercise of the Agent's Option and issue compensation warrants equal to 3% of the number of Units and Additional Units sold. Each such compensation warrant will entitle the Agent to purchase one common share at a price of \$0.55 for a period of twelve months following the closing of the Offering. Certain insiders of the Company have indicated that they intend to participate in a portion of the Offering.

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein in the United States. The securities described herein have not been and will not be registered under the United States Securities Act of 1933, as amended, or any State Securities Laws and may not be offered or sold in the United States or to the account or benefit of a U.S. person absent an exemption from the registration requirements of such Act.

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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 kilometres 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 kilometres 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 kilometres 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 releases dated 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.

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.

Forward Looking Information

The information in this news release has been prepared as at July 7, 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 statement is based. More particularly, this release contains statements concerning the anticipated Offering. Accordingly, there is a risk that the Offering will not be completely sold, and completed within the anticipated time or at all.

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