

Kootenay option up to 80% of Silver Fox to Antofagasta

Kootenay Silver {TSX.V: KTN} have announced they have optioned up to some 80% of their Silver Fox property to a wholly owned subsidiary of Antofagasta PLC.

The Silver Fox Property hosts Revett type mineralisation.

KOOTENAY ANNOUNCES SILVER FOX PROPERTY OPTIONED TO ANTOFAGASTA

Kootenay Silver Inc.{TSX.V: KTN} has entered into an option agreement with a wholly owned subsidiary of Antofagasta PLC.

The agreement allows Antofagasta the option to earn up to an 80-per-cent interest in the Silver Fox property located in southeastern British Columbia, Canada. Silver Fox comprises mineral rights to over 30 kilometres of strike length of geologic formations correlative to those that host the Montana copper sulphide belt, northwest Montana, and the silver belt of Idaho, renowned exploration and mining regions that currently contain the largest silver resources in the United States.

The Silver Fox is a copper-silver sediment-hosted prospect that bears strikingly similar geological characteristics to Revett-type copper-silver sediment-hosted deposits of the Montana copper sulphide belt in the United States, which are

host to over 680 million ounces of silver and 5.6 billion pounds of copper in several deposits. The largest deposits of this belt (Montanore and Rock Creek) individually contain in excess of 200 million ounces of silver and 1.7 billion pounds of copper. The company's interest in Silver Fox is a result of its generative exploration program and the Kennedy Grubstake agreement (see news release dated June 30, 2015).

The Silver Fox property

Exploration conducted by Kootenay at Silver Fox includes prospecting, mapping and extensive geophysical evaluation, results of which led to the subsequent claim acquisition by Kootenay. Geological features recognized at Silver Fox considered characteristic of Revett-type deposits include:

- Stratabound disseminated Cu occurrences in Revett formation-equivalent quartzites;
- Copper mineralization characterized by disseminated grains of chalcopyrite, bornite and chalcocite in the host quartzite, with minor copper staining by chrysocolla, azurite and malachite;
- Recognition of a northwest-trending mineralized structural domain, bracketed to the north by the historic St. Eugene silver-lead-zinc (Ag-Pb-Zn) vein.

This fundamental structural feature is thought to have been active from the Precambrian to the Tertiary regional-scale zones of bleaching, oxide, sulphide, carbonate and manganese alteration occurring with copper mineralisation. Location along the northern extension of the Western Montana copper

sulphide belt

RP Hartlaub department of mining and mineral exploration, British Columbia Institute of Technology, interpreted from a multi year program co-financed by Geoscience B.C. and Natural Resources Canada that the area has high potential for hosting Revett-type silver-copper deposits. This is evidenced by major discoveries in northwest Montana. Thus it is considered that the Silver Fox has the potential to be an exciting exploration discovery in an under-explored area for very large silver-copper deposits.

Terms of the agreement

The terms of the agreement grant Antofagasta the right to earn a 65-per-cent interest by financing or incurring an aggregate total of \$2.5-million (U.S.) in exploration expenditures on or before the fourth anniversary of the agreement (for instance, Sept. 29, 2019), of which amount \$125,000 (U.S.) is a firm financing commitment in the first year. Antofagasta has the right to accelerate the first option expenditures.

Upon exercising the first option, Antofagasta will have the right to acquire a further 15-per-cent interest by incurring an additional aggregate total \$1.65-million (U.S.) in exploration expenditures within two years of the first option exercise date.

Upon the exercise of the second option Antofagasta will have earned an 80-per-cent interest and Kootenay will hold a 20-

per-cent interest in Silver Fox under a joint venture basis under the terms of the agreement. If Antofagasta decides not to exercise the second option, a joint venture based on a 65/35-per-cent interest will form under the agreement in relation to the property. In connection with the agreement, the Grubstake agreement has been replaced and superceded, in relation to Silver Fox, by a new option agreement between the 100-per-cent owner of Silver Fox, Craig Kennedy, and the company. Under the terms of the underlying option agreement, the company can acquire a 100-per-cent interest in Silver Fox by issuing 75,000 common shares to Kennedy by July 3, 2018, subject only to a 2.0-per-cent net smelter returns royalty in favour of Kennedy. The underlying royalty is subject to a purchase right in favour of the company, exercisable by the company by paying \$500,000 for each 0.5 per cent of the underlying royalty.

Under the terms of the agreement, the company is obligated to exercise the underlying option prior to the exercise by Antofagasta of the first option.

The foregoing geological disclosure has been reviewed and verified by Kootenay's chief executive officer, James McDonald, PGeo (a qualified person for the purpose of National Instrument 43-101, standards of disclosure for mineral projects). Mr. McDonald is a director of Kootenay.

We seek Safe Harbor.