

Kootenay Silver investor Pan American Silver adds to maintain their 10% investment

Kootenay Silver Inc. {TSX.V: KTN} and **Pan American Silver Corp. {TSX: PAA}** have announced that Pan American intend to subscribe for 6,793,550 additional Kootenay shares in order to maintain their 10% holding in the company.

This will bring in around CAD \$1.5 million into Kootenay's treasury.

VANCOUVER, April 26, 2016 **Kootenay Silver Inc. {TSX.V: KTN}** and **Pan American Silver Corp. {TSX: PAA}** are pleased to announce that, following the issuance of Kootenay's common shares as consideration for Kootenay's acquisition of Northair Silver Inc. (see Kootenay press release dated April 21, 2016) as well as Kootenay's acquisition of the two and a half percent (2.5%) net smelter returns royalty from Coeur Capital, Inc. with respect to the future production of Kootenay's La Cigarra project (see Kootenay press release dated March 29, 2016), Pan American has exercised its second tranche option to subscribe for additional common shares of Kootenay in order to maintain a ten percent (10%) ownership interest in Kootenay's issued and outstanding shares (see Kootenay press release dated February 26, 2016) (the "Second Tranche Option") in accordance with the Subscription Agreement dated February 15, 2016 entered into between Pan American and Kootenay, as amended (the "Subscription Agreement"). As a result, Pan American intends to subscribe for 6,793,550 additional Kootenay common shares for an aggregate subscription price of CAD\$1,553,431 (the "Subscription Price").

Transaction Details

The Subscription Price for the exercise of the Second Tranche Option consists of the following:

Pan American's subscription for 5,723,550 common shares of Kootenay at the subscription price of CAD\$0.22 per Kootenay common share for gross proceeds of CAD\$1,259,181;

and

Pan American's subscription for 1,070,000 common shares of Kootenay at the subscription price of CAD\$0.275 per Kootenay common share for gross proceeds of CAD\$294,250

(the "Second Tranche Investment").

The closing of the Second Tranche Investment is subject to certain standard conditions precedent for financings of this nature set out in the Subscription Agreement, including approval and acceptance by the TSX Venture Exchange.

Kootenay intends to use the net proceeds of the Second Tranche Investment for exploration activities and general corporate purposes.

Kootenay President and CEO James McDonald stated: *"We are delighted with Pan American's vote of confidence in not only our Promontorio Mineral Belt assets, but also the La Cigarra opportunity we have acquired through the business combination with Northair Silver Inc. After the closing of the Second Tranche Investment, we will have a strong cash position to advance the La Cigarra project and pursue more potential consolidation and growth opportunities that will be accretive*

to the Kootenay shareholders."

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 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 51.47 million ounces of silver in the Measured & Indicated categories grading 86.3 g/t silver and 11.46 million ounces of silver in the Inferred category grading 80 g/t silver. The mineralised 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 km 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 Kootenay's 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 of proven professionals with extensive international experience in all aspects of mineral exploration, operations and venture capital markets.

Qualified Person

The Kootenay technical information in this news release has been prepared in accordance with the Canadian regulatory requirements set out in National Instrument 43-101 (Standards of Disclosure for Mineral Projects) and reviewed on behalf Kootenay by James McDonald, P.Geo, President, CEO & Director for Kootenay, a Qualified Person.