Kootenay Silver options San Diego Project to AuRico Gold

Kootenay Silver {TSX.V: KTN} announces an option agreement with **AuRico Gold** for their San Diego Property.

CEO Jim McDonald enthused excitement about the deal which “offsets some risk for Kootenay shareholders whilst still giving upside potential through a royalty agreement”.

May 14, 2015

Kootenay Silver announces San Diego Project optioned to AuRico Gold.

Kootenay Silver Inc. {TSX.V: KTN} is pleased to announce that it has entered into an option agreement through its wholly owned Mexican subsidiary, Minera J.M. with Oro de Altar a wholly owned Mexican subsidiary of **AuRico Gold Inc. {TSX: AUQ}** . The option allows ODA to earn up to 100% interest in the San Diego property located in northern Sonora State, Mexico. The project is one of Kootenay's Generative properties and was acquired by MJM in 2014 under an option agreement, giving MJM the right to acquire an undivided 100% interest (see news release dated August 18, 2014).

The San Diego project, is located about 38 kilometers northwest of AuRico's El Chanate Gold Mine and sits within the Sonora-Mojave Megashear, which hosts numerous operating gold deposits including Chanate, Herradura, Mesquite and San Francisco. The San Diego project target potential is an open pit gold deposit much of which projects under a large pediment covered area at the intersection of low and high angle faults and the hosting silicified meta-rhyolites.

Previous work conducted shows anomalous gold mineralization is found along a 3 kilometer long trend focused in silicified meta-rhyolites associated with an intersecting low angle east-northeast trending fault cut by high angle north-northwest trending faults. Gold mineralization is strata bound at the base of the meta-rhyolites at the fault contact with underlying meta sediments.

Sampling conducted by Kootenay encountered gold values ranging from back ground up to 12.2 gpt gold in a mix of grab and chip samples. Silver values are also anomalous along with copper and lead. Alteration associated with gold mineralization consists of silicification, quartz veins and iron carbonate veining.

"We are excited to have AuRico as a partner exploring the San Diego property. The deal structure spreads project risk and allows consolidation of ownership while giving Kootenay shareholders upside in a buyout and royalty structure."

says James McDonald Kootenay's President and CEO.

The terms of the agreement allow ODA to earn a 65% interest by spending an aggregate total US$3 million in exploration expenditures over 3 years (by April 8, 2018) and to pay an aggregate total of US$480,000 to MJM by December 10, 2017, which will be used by MJM to fulfill commitments related to underlying property payments. ODA will also be responsible for annual Mexican assessment work and mining concession taxes during the term of the agreement.

Upon earning the initial 65% interest, ODA will have the right to acquire a 100% interest by paying US$8.00 per gold or gold equivalent ounce of resource based on the preparation of a National Instrument 43 101 compliant resource statement, which must be completed no later than 90 days after April 8, 2018. On acquisition by ODA of 100% interest, MJM will receive a 2.5% net smelter royalty. If ODA decide not to exercise the Second Option in order to acquire the remaining 35%, a one-time cash payment to MJM of US$250,000 becomes payable and a joint venture will be formed to further develop the project.

QA/QC

All sampling reported are grab rock samples unless otherwise indicated. Further Quality Assurance and Control procedures and details on assays procedures and laboratories used are disclosed on the Kootenay Silver Inc. website.

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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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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This news release may contain information about adjacent properties on which we have no right to explore or mine. We advise U.S. investors that the SEC's mining guidelines strictly prohibit information of this type in documents filed with the SEC. U.S. investors are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on our properties. This news release may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, potential mineral recovery processes, etc. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

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