



Kootenay Silver Announces Spin-Out of Canadian Assets

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VANCOUVER, BC, Aug. 20, 2021 /CNW/ - Kootenay Silver Inc. ("**Kootenay**" or the "**Company**") (TSXV: KTN), is pleased to announce that its board of directors has unanimously approved a spin-out of 80% of the Company's Canadian exploration assets (the "**Canadian Assets**"), to its shareholders by way of a share capital reorganization effected through a statutory plan of arrangement (the "**Arrangement**"). The Canadian Assets are held through Kootenay's wholly-owned subsidiary, Kootenay Resources Inc. ("**Spinco**"). Under the Arrangement, Kootenay will distribute 80% of the common shares (each, a "**Spinco Share**") of Spinco to Kootenay's shareholders. Once the Arrangement becomes effective, which will be triggered by the board of Kootenay, Kootenay shareholders will ultimately own shares in two public companies: Spinco, which will focus on the development of the Canadian Assets, and Kootenay, which will continue with the exploration and development of its Mexican assets.

James McDonald, Kootenay's President and CEO stated, "*We believe the spin-out of the Canadian Assets will be very beneficial to shareholders. Among other benefits, it will unlock the value of the Canadian Assets by allowing it to be developed separately, by a skilled and experienced management team, and it will allow our shareholders to own shares in two companies.*"

Under the Arrangement, Kootenay's current shareholders will receive Spinco Shares by way of a share exchange, pursuant to which each existing common share of Kootenay will be exchanged for one new common share of Kootenay (each, a "**New Kootenay Share**") and 0.04 of a Spinco Share. Under the Plan of Arrangement, outstanding options and warrants to purchase common shares of the Company will be adjusted or replaced so that upon exercise, holders will receive one New Kootenay Share and 0.04 Spinco Shares for each option or warrant exercised.

The reorganization will be effected pursuant to the arrangement provisions of the *Business Corporations Act* (British Columbia), and must be approved by the Supreme Court of British Columbia and by the affirmative vote of 66 2/3% of Kootenay's shareholders at a shareholders' meeting to be held on September 15, 2021 (the "**Meeting**"). Upon receipt of approval from the shareholders of Kootenay and Supreme Court approval of the spin-out, Kootenay's board will determine a trigger date for Spinco to complete a financing by way of private placement, rights offering or other means, and apply for a listing on the TSX Venture Exchange (the "**TSXV**") or other Canadian stock exchange. The trigger date is anticipated before the end of 2021.

Kootenay expects that the Arrangement will increase shareholder value by allowing capital markets to ascribe value to the Canadian Assets independently of the other properties held by Kootenay. The spin-out will provide new and existing shareholders more flexibility as to their specific investment strategy and risk profile. Kootenay also believes that having a separately funded early-exploration business will accelerate development of the Canadian Assets.

Completion of the Arrangement is subject to a number of conditions, including the following:

- a. Kootenay shareholder approval at the Meeting;

- b. the approval of the Supreme Court of British Columbia; and
- c. TSXV approval for the Arrangement by Kootenay and the substitutional listing of the New Kootenay Shares in place of the existing Company common shares.

On August 10, the TSXV conditionally accepted the terms of the Arrangement, subject to standard conditions including court and shareholder approval.

Upon completion of the Arrangement, it is intended that Spinco will be managed by James McDonald, as the President and Chief Executive Officer and Rajwant Kang, as the Chief Financial Officer. Spinco's board of directors will consist of James McDonald, Rajwant Kang and Kenneth Berry. Changes and additions to the management team and board will be made as needed as the Canadian Assets progress.

Additional details of the spin-out transaction will be included in an information circular to be mailed to shareholders of Kootenay in August, 2021 in connection with the Meeting. The Arrangement is expected to close on or about September 30, 2021.

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. Supported by one of the largest junior portfolios of silver assets in Mexico, Kootenay continues to provide its shareholders with significant leverage to silver prices. The Company remains focused on the expansion of its current silver resources, new discoveries and the near-term economic development of its priority silver projects located in prolific mining districts in Sonora, State and Chihuahua, State, Mexico, respectively.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

Certain statements in this press release may be considered forward-looking information. These statements can be identified by the use of forward-looking terminology (e.g., "expect", "estimates", "intends", "anticipates", "believes", "plans" or variations of such words and phrases or statements that certain actions, events or results "will" occur). Forward-looking statements in this press release include, but are not limited to, statements regarding the completion of the Arrangement; the completion of the conditions of the Arrangement; the listing of Spinco on the TSXV; the proposed board of directors and management team of Spinco; and the effects of the Arrangement on Kootenay and Spinco.

Such forward-looking information involves known and unknown risks -- including the conditions of the Arrangement not being met; the Arrangement not being completed; the availability of funds; the results of financing and exploration activities; unanticipated costs, expenses, or liabilities associated with the Arrangement; the interpretation of exploration results and other geological data; or unanticipated costs and expenses and other risks identified by Kootenay in its public securities filings that may cause actual events to differ materially from current expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Kootenay does not undertake to update any forward-looking statements, except as may be required by applicable securities laws.

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

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