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Kootenay Gold - Targeting 100+ Million Ounces of Silver in Mexico.

'A Mine In The Making' is how TSX-V listed Kootenay Gold describes itself and its flagship Promontorio Silver Project in Mexico, and exploration results are beginning to support this claim. According to a recent 43-101 Resource Estimate, Promontorio contains \$320 million of Recoverable Metal (10,070,000 ounces Silver; 112.7 million pounds lead and 125.1 pounds of zinc).

Kootenay was established in 2002 and gained its listing in 2005. Strategically, the company is looking to define a world-class minable silver resource at Promontorio while simultaneously advancing several gold and silver property assets in both Mexico and Canada. The business model leverages the exploration expenditures of various earn-in and/or joint venture partnerships allowing multiple ongoing exploration activities with minimal KTN share dilution.

Promontorio is located in the mineral rich and fast developing Sierra Madre region of Mexico. Sierra Madre hosts existing resources of 15 million ounces of gold and 520 million ounces of silver, with the 3.71 million ounce Mulatos (Alamos) gold mine and 3.1 million ounce gold / 149 million ounce silver Dolores (Minefinders) mine to the North East. To the South East copper is the dominant metal with Tyler Resources' 4.6 billion pound copper / 68 million ounce silver Bahuerachi mine and Fronterra Copper's 2.1 billion pound copper mine the standout operations.

Kootenay announced its maiden resource estimate at Promontorio on the 18th of August 2010, and separated its definition into that expected to be accessed by way of an open pit mine, and that expected to be mined by underground methods. The cut-off level was set at 200 metres, above which a US\$12.50 recoverable metal value (RMV) was used, and below which a US\$32.00 recoverable metal value was used to reflect the economics of each respective mining method.

| Key Data | |
|--------------------|--|
| EPIC | KTN |
| Share Price | C\$0.86 |
| Spread | C\$0.85 - C\$0.87 |
| Total no of Shares | 37,276,600 |
| Market Cap | C\$33.18 million |
| Net Cash | C\$7 million (June 2010) |
| 12 Month Range | C\$0.43 - C\$1.25 |
| Market | TSX-V |
| Website | www.kootenaygold.ca |
| Sector | Mining Exploration |
| Contact | Mitzi Mogden, Corporate Communications +1 604 601 5650 |

| Above 200 metres (cut-off US\$12.50 RMV) | | | | | | | | |
|--|------------|--------------|----------|----------|-------------|-----------------|--------------|--------------|
| | | Grade | | | | Contained Metal | | |
| Category | Tonnes (m) | Silver (g/t) | Lead (%) | Zinc (%) | RMV (C\$/t) | Silver (M oz) | Lead (M lbs) | Zinc (M lbs) |
| Indicated | 2.19 | 53.7 | 0.73 | 0.87 | 50.40 | 3.8 | 35.2 | 42.0 |
| Inferred | 0.23 | 58.9 | 0.85 | 0.95 | 56.10 | 0.44 | 4.3 | 4.8 |
| Below 200 metres (cut-off US\$32.00 RMV) | | | | | | | | |
| | | Grade | | | | Contained Metal | | |
| Category | Tonnes (m) | Silver (g/t) | Lead (%) | Zinc (%) | RMV (C\$/t) | Silver (M oz) | Lead (M lbs) | Zinc (M lbs) |
| Indicated | 3.03 | 52.0 | 0.96 | 1.03 | 56.70 | 5.1 | 64.1 | 68.8 |
| Inferred | 0.42 | 53.9 | 0.98 | 1.03 | 58.00 | 0.73 | 9.1 | 9.5 |

Preliminary metallurgical testing was performed by G&T Metallurgical Services Ltd which recovered 82% of silver, 85% of lead and 91% of zinc. Modelling was based on silver, lead and zinc prices of US\$15 per ounce, US\$0.97 per pound and US\$0.91 per pound respectively.

Kootenay acquired Promontorio in December 2006 for cash and equity commitments exceeding C\$2 million. The milestone acquisition followed two years of extensive negotiation with former property holders and the Mexican Ministry of Mines to secure a 100% interest in the much sought after silver project.

Although no major exploration work had been conducted on the project prior to Kootenay's involvement, Promontorio has been the site of sporadic, small-scale, high-grade mining with various operators dating back over 100 years. While there is little previous data with which to leverage, the path to permitting should be better facilitated with the existence of historical mining operations.

The Promontorio resource remains open to the North, North East, South West, South and at depth, with drilling currently targeting the area to the northeast and southwest of the defined resource. 3D IP (induced polarisation) survey results showed a mineralised area 2.5 kilometres in length and at least as deep as the 450 metre limit of the survey.

A 10,000-metre drill programme at Promontorio commenced in September with a view to expanding upon the existing resource by a factor of three. If successful, Promontorio could soon be recognised as one of the region's most prominent emerging silver plays. To speed up the process and because there are a sufficient number of diamond drill holes already, Kootenay has decided to switch to RC drills and will perform a mixture of infill and step out drilling.

Electro-magnetically identified targets have also been identified in close proximity to Promontorio's main pit zone with the North East (NE) zone a mere 700 metres North East of the main pit, and Dorotea 1.2 kilometres to the North West. Drilling has been conducted at both of these zones with the North East zone highlighted by an intersection of 29 metres at 78 g/t silver, 1.17g/t gold and 1.43% combined lead/zinc from 88 metres in depth and Dorotea's best intersection being 34.5 metres at 75g/t silver, 1.73g/t gold and 2.42% combined lead/zinc from surface. Further to the North West, are the Gringo, Veneteria and Rico zones where surface sample highlights from each zone have been 8.6 g/t gold/10.95% copper, 8.8 g/t gold/11.2% copper and 895 g/t silver/8% copper respectively.

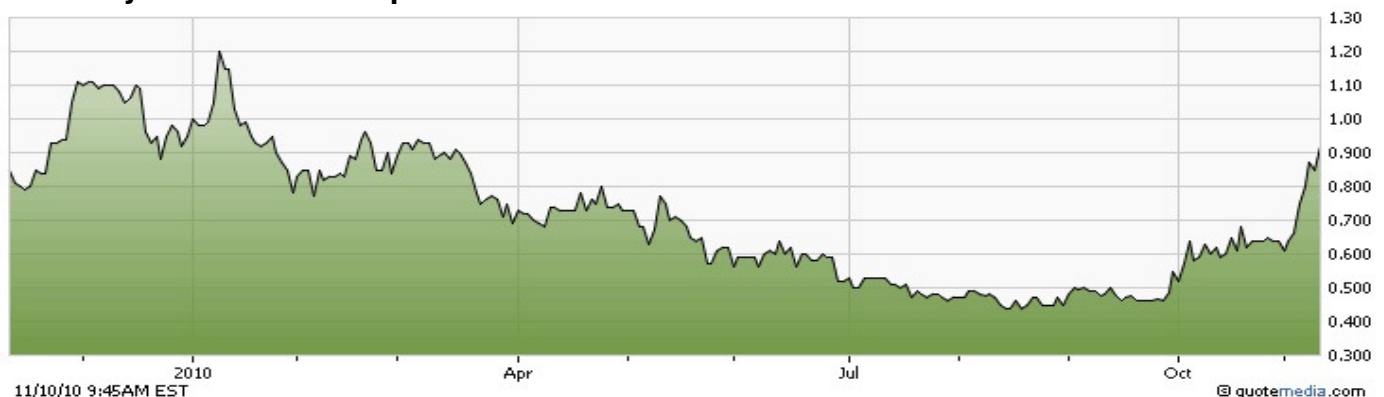
Besides the Promontorio region, Kootenay has 11 wholly owned and 6 joint ventured exploration assets in Mexico and British Columbia (BC), Canada. While all are at an early stage, the Jumping Josephine gold property in BC is the most advanced with earn-in partner Astral Mining Corp announcing the commencement of a 3,000 metre drilling programme in August. Six high potential gold anomalies are targeted, and follows a summer exploration programme of trenching, soil sampling and mapping. 60% owner Astral can earn Kootenay's remaining 40% interest by spending a further US\$2.1 million on exploration and issuing Kootenay 4 million Astral shares.

Kootenay had C\$7 million in cash and no debt as at the 30th June 2010. Having reduced its financial obligations through 6 joint venture agreements, the company's normal cash burn rate is C\$200,000 – C\$300,000 per month. The recently commenced 10,000 metre drill programme at Promontorio is expected to cost C\$1.5 million and take 4 months to complete.

At current USD prices of \$26.50/oz silver, \$1.15/lb lead and \$1.15/lb zinc, the value of Promontorio's NI43-101 compliant in-situ resource is in excess of \$500 million. The company's current share price essentially reflects a heavy discount of the currently defined resource and its strong net cash position. However, if, as expected, the company significantly expands and upgrades its resource base, then there is scope for a significant re-rating of the stock. For example, using the in-situ parameters of a 4% attributed value for Indicated resources above 200 metres in depth, 2% attributed value for Inferred resources above 200 metres and Indicated resources below 200 metres, and a 1% attributed value for Inferred resources below 200 metres, at the current commodity prices Promontorio alone would be valued at US\$40 million. The company's long term goal of defining 100 million ounces of silver, if achieved and even in the absence of any increase in the existing lead and zinc resources, would see Promontorio's value jump to US\$70 million using the same parameters outlined above. Defining 100 million ounces of silver, with a corresponding increase in the quantity of lead and zinc resources would see Promontorio's value take another step up to US\$100 million, under the same conditions. Beyond this further upside for the company comes from moving resources into higher and better defined resource / reserve categories, as well as progressing its other exploration assets to resource definition status.

Kootenay Gold's focus is undoubtedly Promontorio which it is aggressively advancing. The company is progressing as if it were going into production, but as any prudent junior will admit, to further accelerate development, it will continue to entertain offers from major partners. Further endorsements on the company come by way of its debt free and strong cash position, and with silver having doubled gold's performance since the start of the year, silver is a worthy alternative to traditional gold investors.

Kootenay Share Price Graph



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