



FORM 51-102F6V

STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS

KOOTENAY SILVER INC.
 (the “Corporation”)
 (for the year ended December 31, 2016)
 DATED JUNE 29, 2017

The following information is provided as required under Form 51-102 F6V – *Statement of Executive Compensation for – Venture Issuers*. Venture Issuer has the meaning as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*.

Director and Named Executive Officer Compensation

In this section, “Named Executive Officer” means (a) the Corporation’s chief executive officer (the “CEO”), including an individual performing functions similar to a CEO, (b) the Corporation’s chief financial officer (the “CFO”), including an individual performing functions similar to a CFO, (c) the most highly compensated executive officer of the Corporation, and its subsidiaries, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*, for that financial year; and (d) each individual who would be a Named Executive Officer under (c) but for the fact that the individual was not an executive officer of the Corporation and was not acting in a similar capacity, at the end of that financial year.

During the Corporation’s fiscal year ended December 31, 2016, the following individuals were the Named Executive Officers of the Corporation:

- James M. McDonald, President and CEO
- Rajwant S. Kang, CFO and Corporate Secretary
- Kenneth E. Berry, Chairman

Director and Named Executive Officer Compensation, Excluding Compensation Securities

Table of Compensation Excluding Compensation Securities

The following table provides a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation or a subsidiary of the Corporation to each Named Executive Officer and director of the Corporation during the fiscal years ended December 31, 2016 and 2015:

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
James M. McDonald President, CEO and Director	2016	\$180,000	\$100,000	\$12,000	\$Nil	\$Nil	\$292,000 ⁽¹⁾
	2015	\$180,000	\$Nil	\$8,500	\$Nil	\$Nil	\$188,500 ⁽²⁾
Rajwant S. Kang CFO and Corporate Secretary	2016	\$143,000	\$Nil	\$Nil	\$Nil	\$Nil	\$143,000 ⁽³⁾
	2015	\$143,000	\$Nil	\$Nil	\$Nil	\$Nil	\$143,000 ⁽³⁾

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Kenneth E. Berry Chairman and Director	2016	\$180,000	\$Nil	\$12,000	\$Nil	\$Nil	\$192,000 ⁽⁴⁾
	2015	\$180,000	\$Nil	\$8,500	\$Nil	\$Nil	\$188,500 ⁽⁵⁾
Joseph P. Giuffre Director	2016	\$Nil	\$Nil	\$16,000	\$Nil	\$Nil	\$16,000
	2015	\$Nil	\$Nil	\$12,500	\$Nil	\$Nil	\$12,500
Brian Groves Director	2016	\$Nil	\$Nil	\$15,000	\$Nil	\$Nil	\$15,000
	2015	\$Nil	\$Nil	\$12,500	\$Nil	\$Nil	\$12,500
Nathaniel Jon Morda Director	2016	\$Nil	\$Nil	\$16,000	\$Nil	\$Nil	\$16,000
	2015	\$Nil	\$Nil	\$12,500	\$Nil	\$Nil	\$12,500
Richard Whittington ⁽⁶⁾ Director	2016	\$Nil	\$Nil	\$12,000	\$Nil	\$Nil	\$12,000
	2015	\$Nil	\$Nil	\$8,500	\$Nil	\$Nil	\$8,500
Andrea Zaradic ⁽⁷⁾ Director	2016	\$50,000 ⁽⁸⁾	\$Nil	\$7,333	\$Nil	\$Nil	\$57,333
Antonio Reda ⁽⁷⁾ Director	2016	\$Nil	\$Nil	\$7,333	\$Nil	\$Nil	\$7,333

- (1) Of this amount, Mr. McDonald received \$180,000 during the year and was awarded a bonus of \$100,000 which was paid subsequent to December 31, 2016 in his capacity as President and CEO of the Corporation and \$8,500 in his capacity as a director. All payments were made to Makwa, a private company controlled by Mr. McDonald, which provides the services of Mr. McDonald as the Corporation's President and CEO. See "*Employment, Consulting and Management Agreements*".
- (2) Of this amount, Mr. McDonald received \$142,500 during the year with \$37,500 voluntarily deferred and paid in July 2016 in his capacity as President and CEO of the Corporation and \$8,500 in his capacity as a director and was paid to Makwa, a private company controlled by Mr. McDonald, which provides the services of Mr. McDonald as the Corporation's President and CEO. See "*Employment, Consulting and Management Agreements*".
- (3) This amount was paid to RSK Management Consulting Inc. ("RSK Management"), a private company controlled by Mr. Kang, which provides the services of Mr. Kang as the Corporation's CFO. See "*Employment, Consulting and Management Agreements*".
- (4) Of this amount, Mr. Berry received \$180,000 in his capacity as Chairman of the Corporation and \$8,000 in his capacity as a director. Of this amount, \$180,000 was paid to Manly Capital Corp. ("Manly Capital"), a private company controlled by Mr. Berry, which provides the services of Mr. Berry as the Corporation's Chairman. See "*Employment, Consulting and Management Agreements*".
- (5) Of this amount, Mr. Berry received \$160,000 during the year with \$20,000 voluntarily deferred and paid in July 2016 in his capacity as Chairman of the Corporation and \$8,500 in his capacity as a director. Of this amount, \$180,000 was paid to Manly Capital Corp. ("Manly Capital"), a private company controlled by Mr. Berry, which provides the services of Mr. Berry as the Corporation's Chairman. See "*Employment, Consulting and Management Agreements*".
- (6) Mr. Whittington ceased to be a director of the Corporation on November 30, 2016.
- (7) Ms. Zaradic and Mr. Reda were appointed as directors of the Corporation on April 21, 2016
- (8) Ms. Zaradic entered into a consulting agreement with the Corporation, which came into effect on April 21, 2016 and replaced her employment agreement held with Northair Silver Corp. which company was acquired by the Corporation on April 21, 2016. The consulting agreement allows for irrevocable payments totaling \$150,000 over 24 months, commencing on May 1, 2016.

Table of Compensation Securities

The following table discloses that the Corporation did not grant or issue any compensation securities or stock options to any director and Named Executive Officer of the Corporation or any of its subsidiaries during the fiscal year ended December 31, 2016. The footnotes to the table disclose the number of stock options held by the directors and Named Executive Officers of the Corporation and its subsidiaries as at December 31, 2016:

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
James M. McDonald⁽¹⁾ President, CEO and Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Rajwant S. Kang⁽²⁾ CFO and Corporate Secretary	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Kenneth E. Berry⁽³⁾ Chairman and Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Joseph P. Giuffre⁽⁴⁾ Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Brian Groves⁽⁵⁾ Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Nathaniel Jon Morda⁽⁶⁾ Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Andrea Zaradic⁽⁷⁾ Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A
Antonio Reda⁽⁸⁾ Director	Nil	Nil	N/A	N/A	N/A	N/A	N/A

- (1) As at December 31, 2016, Mr. McDonald held 840,000 stock options of the Corporation entitling him to acquire, upon exercise, 840,000 common shares in the capital of the Corporation. All options are vested.
- (2) As at December 31, 2016, Mr. Kang held 660,000 stock options of the Corporation entitling him to acquire, upon exercise, 660,000 common shares in the capital of the Corporation. All options are vested.
- (3) As at December 31, 2016, Mr. Berry held 840,000 stock options of the Corporation entitling him to acquire, upon exercise, 840,000 common shares in the capital of the Corporation. All options are vested.
- (4) As at December 31, 2016, Mr. Giuffre held 305,000 stock options of the Corporation entitling him to acquire, upon exercise, 305,000 common shares in the capital of the Corporation. All options are vested.
- (5) As at December 31, 2016, Mr. Groves held 305,000 stock options of the Corporation entitling him to acquire, upon exercise, 305,000 common shares in the capital of the Corporation. All options are vested.
- (6) As at December 31, 2016, Mr. Morda held 310,000 stock options of the Corporation entitling him to acquire, upon exercise, 310,000 common shares in the capital of the Corporation. All options are vested.
- (7) As at December 31, 2016, Ms. Zaradic held 490,000 stock options of the Corporation entitling her to acquire, upon exercise, 490,000 common shares in the capital of the Corporation. All options are vested.
- (8) As at December 31, 2016, Mr. Reda held 175,000 stock options of the Corporation entitling him to acquire, upon exercise, 175,000 common shares in the capital of the Corporation. All options are vested.

Exercises of Compensation Securities by Named Executive Officers and Directors

There were no exercises of any stock options or compensation securities by the directors and the Named Executive Officers of the Corporation and its subsidiaries during the fiscal year ended December 31, 2016.

Stock Option Plans and other Incentive Plans

The stock option plan of the Corporation, as subsequently amended (the “Plan”), was initially approved by the shareholders of the Corporation on August 18, 2004. The purpose of the Plan is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries, if any, and employees of a person or company which provides management services to the Corporation or its subsidiaries (the “Participants”), to acquire shares in the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation. The Plan is presently administered by the Board.

The Plan is a “rolling 10% plan” so the number of common shares reserved for issuance under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. The aggregate number of options granted to any Participant in a twelve month period must not exceed 5% of the issued and outstanding common shares of the Corporation, unless the Corporation has obtained disinterested shareholder approval of such grants as required by the TSX Venture Exchange (the “TSXV”). The aggregate number of options granted to any one consultant of the Corporation must not exceed 2% of the issued and outstanding common shares. The aggregate number of options granted to persons employed to provide investor relations activities must not exceed 2% of the issued and outstanding common shares. Options granted to consultants performing investor relations activities are subject to vesting provisions. The exercise price of the options granted under the Plan is determined by the Board, but shall not be less than the price permitted by the TSXV. Options are exercisable for a term fixed by the Board and shall not exceed 10 years, subject to earlier termination after certain events such as the Participant’s ceasing to be a Participant, disability or death. In accordance with the policies of the TSXV “rolling 10% plans” must be approved annually at the Corporation’s annual meeting by the shareholders of the Corporation. Accordingly, the Corporation will be seeking the approval of its shareholders to the ratification of the Plan at the next annual meeting of the shareholders of the Corporation to be held by December 31, 2017 as is required in accordance with the policies of the TSXV. The Plan was last ratified, confirmed and approved by the shareholders at the Corporation’s annual meeting held on November 30, 2016.

Employment, Consulting and Management Agreements

Effective January 1, 2008, the Corporation entered into a consulting agreement with Makwa, which provides the services of James M. McDonald as the Corporation’s President and CEO for a base fee of \$15,000 per month, and a consulting agreement with Manly Capital, which provides the services of Kenneth E. Berry as the Corporation’s Chairman for a base fee of \$15,000 per month. The consulting agreements with each of Messrs. McDonald and Berry had an initial term of 24 months (the “Initial Term”) and automatically extend in increments of 24 months until terminated.

The consulting agreements with Makwa and Manly Capital provide that in the event that the engagement of either of Mr. McDonald or Mr. Berry (each a “Consultant”) is terminated prior to any extension of the Initial Term, the Consultant’s period of engagement shall expire as of the date of termination. The consulting agreements further provide that:

- (a) if the Corporation terminates the Consultant’s engagement for cause (as defined in the consulting agreement) or if the Consultant voluntarily terminates his engagement, the Corporation’s obligation to compensate the Consultant shall in all respects cease as of the date of termination, except that the Corporation shall pay the Consultant the base fee of \$15,000 per month and any reimbursable expenses up to such date of termination (the “Accrued Obligations”);
- (b) if the Consultant’s engagement is terminated due to the death or the permanent disability of the Consultant, the Corporation’s obligation to compensate the Consultant shall in all respects cease as of the date of

termination, except that within 30 days after the date of termination the Corporation shall pay the Consultant the Accrued Obligations and six months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased; and

- (c) if the Consultant's engagement is terminated by the Corporation without cause, the Corporation's obligation to compensate the Consultant shall in all respects cease, except that within 30 days after the date of termination the Corporation shall pay the Consultant the Accrued Obligations and 12 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased.

If the Consultant's engagement is terminated pursuant to a change of control (as defined in the consulting agreement) of the Corporation, the Corporation's obligation to compensate the Consultant shall in all respects cease, except that concurrently with the date of termination the Corporation shall pay the Consultant the Accrued Obligations together with a termination fee equal to 24 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise increased. Subsequent to the fiscal year ended December 31, 2016, and effective January 1, 2017, the base fee under the consulting agreement with Makwa increased to \$20,833 per month. All other terms of the consulting agreement with Makwa remain unchanged.

The Corporation and RSK Management, a private company controlled by Mr. Kang, have entered into a Management and Consulting Agreement dated January 1, 2013 (the "RSK Management Agreement") to provide the services of Mr. Kang as the Corporation's CFO. The RSK Management Agreement provides for, among other things, a base fee of \$11,917 per month to RSK Management. The RSK Management Agreement renews each year until termination.

The RSK Management Agreement provides that in the event that the engagement is terminated prior to any extension of the initial term of the RSK Management Agreement, RSK Management's period of engagement shall expire as of the date of termination. The RSK Management Agreement further provides that:

- (a) if the Corporation terminates RSK Management's engagement for cause (as defined in the RSK Management Agreement) or if RSK Management voluntarily terminates its engagement, the Corporation's obligation to compensate RSK Management shall in all respects cease as of the date of termination, except that the Corporation shall pay RSK Management the base fee of \$11,917 per month and any reimbursable expenses up to such date of termination (the "Accrued Obligations");
- (b) if RSK Management's engagement is terminated due to the death or the permanent disability of Mr. Kang, the Corporation's obligation to compensate RSK Management shall in all respects cease as of the date of termination, except that within 30 days after the date of termination the Corporation shall pay RSK Management the Accrued Obligations and six months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased; and
- (c) if RSK Management's engagement is terminated by the Corporation without cause, the Corporation's obligation to compensate RSK Management shall in all respects cease, except that within 5 days after the date of termination the Corporation shall pay RSK Management the Accrued Obligations and 18 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased.

If RSK Management's engagement is terminated pursuant to a change of control (as defined in the RSK Management Agreement) of the Corporation, the Corporation's obligation to compensate RSK Management shall in all respects cease, except that concurrently with the date of termination the Corporation shall pay RSK Management the Accrued Obligations together with a termination fee equal to 24 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise increased.

Oversight and Description of Director and Named Executive Officer Compensation

Named Executive Officer Compensation

The Board determines Named Executive Officer compensation based on the recommendation of the Compensation Committee at the time of engagement of the Named Executive Officer and subsequently reviews compensation payable to a Named Executive Officer from time to time. For the Corporation's fiscal year ended December 31, 2016, the significant elements of compensation paid and awarded to each Named Executive Officer were base salaries/management fees paid indirectly to Messrs. McDonald, Berry and Kang. See "*Table of Compensation Excluding Compensation Securities*" and "*Employment, Management and Consulting Agreements*".

The components of the Corporation's executive compensation program are described in the table below:

Compensation element	How it is paid	What it is designed to reward
Base salary	Cash	Rewards skills, capabilities, knowledge and experience, reflecting the level of responsibility, as well as the contribution expected from each executive.
Short-term Incentive	Cash	Rewards contribution to departmental performance and the Corporation's overall performance. Rewards for achievements within the current financial year.
Long-term Incentive	Stock Options	Provides alignment between the interests of executives and shareholders. Rewards contribution to the long-term performance of the Corporation and demonstrated potential for future contribution. Aligns with long-term corporate performance and provides added incentive for executives to enhance shareholder value.

The Compensation Committee considers a broad range of factors when setting compensation for executive management, including but not limited to, i) market data, ii) recruiting and retaining executives critical to the success of the Corporation, iii) individual performance, iv) corporate performance and v) rewarding performance. The Compensation Committee may request the executive officers to provide remuneration analysis for the sector for its review and also review the performance of certain individuals regarding long-term incentives namely, the grant of option based awards.

The Corporation uses public company market data to compare companies in the same or similar industry sector who are comparable in size and which have similar assets. Information relied upon includes executive compensation of comparable companies and current marketplace salaries being offered. The Corporation also relies on the Board and its collective experience in similar lines of business when assessing compensation levels. The purpose is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish as a basis for developing salary adjustments and option based compensation for the Board's approval.

Base Salary

The base salary provides an executive with basic compensation and reflects individual responsibility, knowledge and experience, market competitiveness and the contribution expected from each individual. At its discretion, the Compensation Committee may compare each executive officer's salary with the base salaries for similar positions in the comparator or peer group, and recommends appropriate adjustments, as needed.

Short-term Incentive

Short-term incentive compensation is based on annual results. The short-term incentive compensation ensures that a significant portion of an executive's compensation varies with actual results in a given year, while providing financial incentives to executives to achieve short-term financial and strategic objectives. It communicates to executives the key accomplishments the Compensation Committee wishes to reward and ensures that overall executive compensation correlates with corporate objectives. The short-term incentive component is structured to reward not only increased value for shareholders but also performance with respect to key operational factors and non-financial goals important to long-term success.

Long-term Incentive

The long-term incentive component of executive compensation is designed to ensure commonality of interests between management and shareholders. This is accomplished by connecting shareholder return and long-term compensation, motivating executives to achieve long-range objectives that directly benefit shareholders.

Stock options reward executives for growth in the value of the Corporation's stock over the long term. This is the high risk, high-return component of the executive compensation program because stock options deliver value to an executive only if the share price is above the grant price. The long-term equity incentive includes both a corporate and personal component.

See "*Stock Option Plans and Other Incentive Plans*" for a discussion on incentive stock options that may be awarded to Named Executive Officers. No Stock Options were granted to the Named Executive Officers during the fiscal year ended December 31, 2016. See "*Stock Options and Other Compensation Securities*" for details.

Director Compensation

The Board determines director compensation for the Corporation from time to time. Directors of the Corporation are currently paid quarterly fees of \$2,000 for serving on the Board. Additionally, directors are paid quarterly fees of \$1,000 for serving on the audit committee, \$500 for serving on other committees, and \$500 for attending each meeting of the Board. See "*Table of Compensation Excluding Compensation Securities*". Directors are entitled to receive compensation from the Corporation to the extent that they provide other services to the Corporation and any such compensation is based on rates that would be charged by such directors for such services to arm's length parities. Directors are also entitled to be reimbursed for reasonable expenditures incurred in performing their duties as directors. See "*Stock Option Plans and Other Incentive Plans*" for a discussion on incentive stock options that may be awarded to directors. No Stock Options were granted to directors during the fiscal year ended December 31, 2016. See "*Stock Options and Other Compensation Securities*" for details. Effective January 1, 2017, director compensation was reviewed and amended by the Directors of the Corporation, whereby quarterly fees increased from \$2,000 to \$2,500; additionally, the chairperson of each of the audit, compensation, governance and nomination committee receive a quarterly fee of \$1,000. All other fees remain unchanged.

Recent Significant Changes to the Corporation's Compensation Policies

There have been no significant changes to the Corporation's compensation policies during the fiscal year ended December 31, 2016 that could or will have an effect on director or Named Executive Officer compensation with exception of those outlined in under the sections with the heading "*Employment, Consulting and Management Agreements and Director Compensation*".

Pension Benefits

Neither the Corporation nor any of its subsidiaries currently has a pension benefits arrangement under which the Corporation or any of its subsidiaries has made payments to the directors and or Named Executive Officers of the Corporation during its fiscal year ended December 31, 2016 or intends to make payments to the Corporation's directors or Named Executive Officers upon their retirement (other than the payments set out above and those made, if any, pursuant to the Canada Pension Plan or any government plan similar to it).