

**Form 62-103F1**  
**REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS**

**Item 1 – Security and Reporting Issuer**

- 1.1 *State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

This report relates to the common shares (“**Common Shares**”) of Kootenay Resources Inc. (the “**Company**”).

The address of the head office of the Company is Suite 1125 – 595 Howe Street, Vancouver, British Columbia V6C 2T5.

- 1.2 *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

Corporate reorganization transaction.

**Item 2 – Identity of the Acquiror**

- 2.1 *State the name and address of the acquiror.*

Kootenay Silver Inc. (“**Kootenay Silver**”), existing under the laws of the province of British Columbia. The address of the head office of Kootenay Silver is Suite 1125 – 595 Howe Street, Vancouver, British Columbia V6C 2T5. Kootenay Silver’s principal business is the exploration and development of mineral resource projects in the Sierra Madre Region of Mexico.

- 2.2 *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

Kootenay Silver initially held 100% of the Common Shares. On October 29, 2021, Kootenay Silver completed a spin-out transaction whereby Kootenay Silver spun-out 80% of the Common Shares to its shareholders by way of a share capital reorganization effected through a statutory plan of arrangement (the “**Arrangement**”) pursuant to the arrangement provisions of the *Business Corporations Act* (British Columbia). Upon completion of the Arrangement, Kootenay Silver held 20% of the Common Shares. See the management information circular of Kootenay Silver dated August 12, 2021 filed on Kootenay Silver’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) for details of the Arrangement.

The Company became a reporting issuer as a result of the Arrangement, and accordingly, Kootenay Silver triggered the requirement to disclose its ownership of more than 10% of the issued and outstanding Common Shares and file this early warning report pursuant to National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

- 2.3 *State the names of any joint actors.*

Not applicable.

**Item 3 – Interest in Securities of the Reporting Issuer**

- 3.1 *State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.*

Immediately prior to the Arrangement, Kootenay Silver owned a total of 16,026,370 Common Shares, representing all of the issued and outstanding Common Shares. Following the completion of the Arrangement, Kootenay Silver owns a total of 3,205,274 Common Shares, representing 20% of the issued and outstanding Common Shares on an undiluted basis.

- 3.2 *State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.*

This report is being filed to disclose that Kootenay Silver owns 20% of the issued and outstanding Common Shares.

- 3.3 *If the transaction involved a securities lending arrangement, state that fact.*

Not applicable.

- 3.4 *State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.*

See Item 3.1.

- 3.5 *State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which*

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,

See Item 3.1.

- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

- 3.6 *If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.*

Not applicable.

- 3.7 *If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or*

*principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.*

*State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.*

Not applicable.

- 3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

Not applicable.

#### **Item 4 – Consideration Paid**

- 4.1 *State the value, in Canadian dollars, of any consideration paid or received per security and in total.*

Not applicable.

- 4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

Not applicable.

- 4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

See Item 2.2.

#### **Item 5 – Purpose of the Transaction**

*State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:*

- (a) *the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;*

The Common Shares held by Kootenay Silver are for investment purposes only. Subject to compliance with applicable securities laws and the policies of the TSX Venture Exchange, Kootenay Silver may, from time-to-time, acquire additional Common Shares in the open market or otherwise, and reserves the right to dispose of any or all of such securities from time-to-time, and to engage in similar transactions with respect to such securities, the whole depending on market conditions, the business and prospects of the Company and other relevant factors.

- (b) *a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;*

- (c) *a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;*
- (d) *a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;*
- (e) *a material change in the present capitalization or dividend policy of the reporting issuer;*
- (f) *a material change in the reporting issuer's business or corporate structure;*
- (g) *a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;*
- (h) *a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;*
- (i) *the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;*
- (j) *a solicitation of proxies from securityholders;*
- (k) *an action similar to any of those enumerated above.*

As at the date of this report, Kootenay Silver is not aware of any plans nor has any future intentions which would relate to or result in any items (b) through (k) of Item 5 above.

#### **Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

*Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.*

Not applicable.

#### **Item 7 – Change in Material Fact**

*If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.*

Not applicable.

#### **Item 8 – Exemption**

*If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.*

Not applicable.

**Item 9 – Certification**

**Certificate**

I, as the acquiror, certify, or I, as the agent filing the report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

November 2, 2021  
Date

“Raj Kang”  
Signature

Raj Kang/Chief Financial Officer  
Name/Title