



December 23, 2010
Shares Outstanding: 44,335,600

Kootenay Closes \$6,000,000 Non-Brokered Private Placement

Kootenay Gold Inc. ("Kootenay") (TSX Venture: KTN) is pleased to announce the completion of its previously announced non-brokered private placement. The private placement was fully subscribed raising gross proceeds of approximately \$6,000,000. Sprott Asset Management LP for and on behalf of certain Sprott Funds and Managed Accounts purchased \$4,000,000 of the Non-Brokered Placement.

A total of 7,059,000 units were issued. Each unit ("Unit"), priced at \$0.85 per Unit consists of one common share ("Share") of Kootenay and one-half of one transferable common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one Share at a purchase price of \$1.20 per Share until December 22, 2012. Cash fees in the aggregate amount of \$137,700 were paid to arm's length parties and certain advisory fees were paid in relation to the private placement. All of the securities issued pursuant to the Offering will have a hold period which expires April 23, 2011.

Stated Kootenay President and CEO James McDonald "We are pleased to close our financing. The new influx of capital further strengthens our treasury as we continue to accelerate drilling on our flagship Promontorio Silver Project".

The net proceeds from the private placement will be used to finance additional work on Kootenay's Promontorio property, its other properties and for general working capital.

ABOUT KOOTENAY

Kootenay Gold is actively developing mineral projects in the Sierra Madre Region of Mexico and in British Columbia, Canada. The Company's flagship property is the former producing Promontorio Silver mine in Sonora State, Mexico. The Company's objective is to develop near term discoveries and long term sustainable growth. Kootenay's 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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For additional information, please contact:

James McDonald, CEO and President at 403-238-6986

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To view an interview with James McDonald visit: www.kootenaygold.ca

*The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or the accuracy of this release. **Cautionary Note to US Investors:** 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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