Banks Island Gold Ltd. Declares Commercial Production at Yellow Giant

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Jan 9, 2015) - <u>Banks Island Gold Ltd.</u> (TSX VENTURE:BOZ) (the "Company") is pleased to report that it has declared Commercial Production, effective January 1st 2015, at the Yellow Giant Gold Project ("Yellow Giant"), located on Banks Island British Columbia.

The Company has made substantial progress at Yellow Giant and established itself as British Columbia's newest gold producer during 2014. It is notable that <u>Banks Island Gold Ltd.</u> is one of the only operators in the world that is successfully operating a Dense Media Separation ("DMS") plant to pre-concentrate a primary gold ore. The unique mineralization at Yellow Giant in conjunction with DMS provides important benefits including increased throughput, decreased costs, and lower mining cut-off grades. Pre-concentration rejects up to 50% of the mined mass in a coarse gravel sized product resulting in sufficient void space in underground workings to dispose of all tailings underground.

The Company plans to continue to expand its gold production at Yellow Giant. The 16,000ha Yellow Giant property has several advanced prospects and numerous gold showings but is virtually unexplored. The Company believes strongly in the exciting potential for new discoveries across its mineral claims.

During 2014, the Company overcame significant challenges at Yellow Giant including higher capital costs, unexpected mining dilution, and working capital shortages. The Company has succeeded in modifying its operations to overcome these challenges. The working capital of the Company has been impacted by an extended commissioning period for the process plant. In order to increase production and meet the Company's goals the Company expects that further financing will be required.

The Company has been able to substantially increase the capacity of the DMS pre-concentration circuit of its process plant. With additional working capital the Company plans to increase its inventory of parts and supplies to ensure continuous production is possible and purchase a second fleet of smaller underground mobile equipment which will increase production and decrease mining dilution. The exploration of high priority targets such as Quartz Hill and Kim Zone are important to maintain and expand the mine life at Yellow Giant.

COMMERCIAL PRODUCTION

The Company commenced production of gold concentrates on February 1st, 2014 and had production in the 2014 calendar year for 277 days. Production was halted from June 11th through August 8th in order to tie in the grinding and flotation circuits with the DMS circuit of the process plant.

In the Company's press release dated October 30th 2014 the Company laid out the general criteria being used by the Board of Directors to assess whether the criteria for commercial production had been satisfied. Those criteria were:

- 1. Sustainable production which approaches mill throughput of 200tpd
- 2. Gold recovery of 90%
- 3. Gold production of 77oz equivalent per day

The declaration of commercial production is a matter of judgment and involves the continuing evaluation of various aspects of the mining operation. Upon analysis of the operations at Yellow Giant since October 30th 2014, the Board of directors has decided to declare commercial production effective January 1st, 2015 even though all the criteria above were not met. The decision to declare commercial production was based on the

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following key aspects of the operation:

- The average Run of Mine ("ROM") feed through the DMS circuit averaged 205tpd for all of 2014 and 282tpd from September 1st to December 31st 2014.
- Overall gold recovery over 277 days was 85% which excludes the gold present in the remaining DMS fines stockpile (4%) which will be re-processed.
- Average gold production has not reached 77oz equivalent per day, this is because the Company
 experienced higher than expected dilution due to circumstances encountered mining around the old
 workings at the Bob Zone. Based on this unexpected dilution and the fact that the Company produced a
 saleable product for 277 days in 2014 the Board has decided that its current production level is
 sufficient for commercial production.

Upon review of current and planned mining activities and increased capacity in the DMS pre-concentration section of the plant the Company believes it can now meet and sustain its gold sales objectives.

2014 SUMMARY

In February 2013 the Company released a NI43-101 report titled "*Technical Report on the Yellow Giant Gold Property*" dated February 1st 2013 ("2013 PEA Report") which was prepared by independent consultant, Mr. Robert Baldwin, P.Eng.

The Company completed the capital construction contemplated in the PEA report in early 2014. The Company subsequently constructed a grinding and flotation section which was completed in August 2014. The capital cost of the grinding and floatation circuit was not considered in the 2013 PEA Study. The additions of the grinding and flotation sections were necessary in order to achieve expected overall gold recoveries and gold sales projected in the 2013 PEA study.

The Company achieved the planned mining schedule and averaged 213 tonnes per day of ROM Feed through the DMS circuit. The Company experienced higher mining dilution than projected in the 2013 PEA study which resulted in an averaged mined grade of 7.7gpt gold versus a planned averaged mined grade of 15.8gpt gold. The historic workings in the Bob Zone had substantial caving to surface since the mine was abandoned in 1980. This caving through the mineralization prevented direct access to the mineral zone and required a change in mining techniques that resulted in higher mining dilution than anticipated. At the Tel Zone the Company did not have small underground mobile equipment that was planned to mine within the mineralized ore zone available. The use of larger equipment used in waste development for mining in mineralization also resulted in increased mining dilution at the Tel Zone.

The Company has proactively taken measures to counter this increased mining dilution by modifying its pre-concentration methods. Over the last several months the DMS circuit has been modified to pre-concentrate up to 600 tonnes of ROM Feed. The Bob stope is complete and is being backfilled with tailings. Historic workings are not present in any other areas at Yellow Giant. The Company plans to add smaller underground equipment to its fleet to decrease mine dilution in the future. A comparison of 2014 production results to the 2013 PEA study is displayed in Table 1.

TABLE 1 - 2014 Actual Vs. 2013 PEA Study

	2013 PEA STUDY	2014 ACTUAL
ROM Feed (tpd)	205	213
Diluted ROM grade (gpt Au)	15.8	7.7
Mineralized Ore Processed (t)	205	107
Mineralized Ore Grade	15.8	14.2
Overall Gold Recovery	85	% 85 %
Mining Dilution (t waste/t ore)	40	% 255 %
Daily Gold in Concentrate (oz Au/day)	89	44
Concentrate Grade (gpt Au)	55	65

The Company estimates that it has mined and processed 59,000tonnes of ROM Feed at a diluted grade of 7.7gpt gold with a contained gold content of 14,529oz gold. Company geologists performed a reconciliation of the mined areas in the mineral resource which comprised an in-situ resource of 16,600 tonnes @ 29gpt

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gold with a contained gold content of 15,356 oz gold. Based on this reconciliation, 95% of the mineral resource in mined areas was extracted and calculated mining dilution was 255% (tonnes waste/tonnes ore).

The 2014 calendar year production summary is displayed in Table 2.

TABLE 2 - 2014 Production Summary

	Total Tonnes	Tonnes per Day	Gold Grade (gpt)	Contained Gold (oz)	Gold/day (oz)	Recovery
ROM Feed(t)	59,073	213	7.7	14,529	52	100 %
Barren Rejects (t)	29,476	106	1.1	1,035	4	8 %
Mineralized Ore Processed (t)	29,597	107	14.2	13,494	48	92 %
Concentrate Produced (t)	5,873	21	64.5	12,181	44	85 %
DMS Fines (t)	2,000		9.6	618	2	4 %
Tailings (t)	21,724		1.0	689	2	4 %

The Company has successfully increased the capacity of pre-concentration through the DMS plant over the last several months to counter the increased mining dilution. These efforts have been largely successful with an average throughput of 282 tonnes per day from September 1st to December 31st 2014. The Company achieved DMS throughput in excess of 400 tonnes per day on 34 days in the period with a maximum of 660 tonnes per day.

The Company has experienced production losses in November and December due to low working capital and poor weather. As the Company does not have significant working capital, inventories of critical supplies such as fuel and reagents are approx. 2 weeks of consumption. Strong winds and storms impacted barging schedules in the months of November and December by up to 10 days and resulted in a combined period of 24 days where limited or no production was possible at the site. The Company has increased its fuel storage capacity onsite but requires increased working capital in order to satisfactorily resolve this risk to production. A graph showing daily tonnes mined of ROM Feed processed through the DMS circuit is shown in Figure 1.

To view FIGURE 1 - Daily ROM Feed - Aug-Dec 2014, please visit the following link: http://media3.marketwire.com/docs/BOZ.png.

GOLD SALES

Total gold sales in the 2014 calendar year were 11,533 oz of gold equivalent ("Aueq"). Average gold sales over 277 days of production were 42oz Aueq. Gold sales in November and December were impacted by a total of 24 days of limited or no production due to lack of critical reagents and supplies. Gold Sales from September through August included 600oz gold sold in gravity concentrate which represented 12% of sales. Gold sales by month are displayed in Table 3.

Table 3 - Gold Sales in 2014 Calendar Year

	Contained in	Concentrate	Payable from Smelter	Average Gold Sales
Period (2014)	Gold (oz)	Silver (oz)	Gold eq* (oz)	(eq* oz per day)
February 1-28	628	2,152	589	21
March 1-31	2,005	5,604	1,866	60
April 1-30	2,294	5,618	2,123	71
May 1-31	901	2,322	933	30
June 1-10	335	783	346	35
Aug 7-31	710	1,763	667	27
Sept 1-30	1,742	3,909	1,636	55
Oct 1-31	1,341	5,257	1,285	42
Nov 1-30	1,146	2,390	1,072	35
Dec 1-31	1,079	2,675	1,015	33
Total Sales	12,181	32,473	11,533	42

^{*}Gold equivalent is calculated by converting silver to gold at a ratio of 65:1

MINE DEVELOPMENT

Mine development is critical for the success at Yellow Giant. Mine development represents a substantial

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portion of operating costs and achievement of budgeted advance rates is necessary to provide mill feed on a timely basis.

Company crews completed 1,184m of lateral development in the 2014 calendar year. The Company decreased its mine development in April, November, and December to preserve working capital and plans to restore full mine development capacity by February 2015.

The Company development crew productivity ranged from 0.5-1.0 meter/manshift and averaged 0.8m/manshift over the year. The 2013 PEA study contemplated a contractor completing 182m of mine development per month at a productivity of 1.0m per manshift and a direct cost of \$4,900/m. The Company elected to use its own mining crews which achieved lower productivity than planned. However, the direct cost of mine development was substantially less at approximately \$2,900/m. Capital costs related to mining were increased over the PEA study due to the requirement to purchase mobile mining equipment including drills, underground loaders, and service vehicles. To date the Company has invested approximately \$750,000 towards underground mobile equipment.

The Company is anticipating a productive year for mine development in 2015. The Company has gained a better understanding of the underground conditions at Yellow Giant over the past year and has a core group of veteran miners making up the development team. A summary of mine development for the 2014 calendar year is displayed in Table 4.

Table 4 - 2014 Mine Development

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Month	Total Advance (m)	Manshifts (Development)	meters / manshift
Jan	151	167	0.91
Feb	82	147	0.55
March	122	221	0.55
April	50	51	0.98
May	116	145	0.80
June	184	205	0.90
July	152	187	0.81
August	53	87	0.61
September	151	148	1.02
October	120	147	0.82
November	0	0	
December	0	0	
	1181	1505	0.78

EXPLORATION

Company diamond drill crews completed 14,273m of diamond drilling in the 2014 calendar year. Highlights of the exploration program in 2014 included the discovery of a new zone of mineralization at Quartz Hill, the intersection of mineralization 300m below the Tel Zone resource, and expansion of the Bob Zone.

The 2015 exploration program is planned to include extensive drill programs at the Quartz Hill and Kim Zone along with regional exploration over the extended 16,000ha mineral claim at Yellow Giant.

The Kim Zone is expected to become a significant part of the mine plan over the next year. The 2013 exploration program at Kim was highly successful and indicates a zone with attractive qualities for future mining activities. The Kim Zone is open along strike in both directions and is highly prospective for building mineral resources in the near term.

The Quartz Hill Zone is an exciting discovery in an area with a 600m geochemical anomaly present. This area is a priority target for diamond drilling with the goal to develop a 5th mineralized zone on the property.

A comprehensive program of regional scale geochemical sampling is in the planning stages with fieldwork to commence in the summer of 2015.

The term "Mineralized Ore" is a specific term used in British Columbia regulations and does not

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imply that the Company has "Mineral Reserves". The Company has not completed a feasibility study which is required to establish mineral reserves with demonstrated economic and technical viability. The Company cautions readers that production may not be economically feasible and historically projects without "Mineral Reserves" have a much higher risk of economic or technical failure.

The Company is not basing its production decision on a feasibility study of mineral reserves with demonstrated economic and technical viability. <u>Banks Island Gold Ltd.</u> has decided to put the Property into production without first establishing mineral reserves supported by a NI43-101 compliant technical report and feasibility study. The Company cautions readers that such production may not be economically feasible and historically such projects have a much higher risk of economic or technical failure.

Benjamin Mossman, P.Eng. is the qualified person who reviewed and approved the contents of this news release.

The Company is a mining company focused on gold production, exploration, and development of economically viable mineral resources. The Company's mineral property is located in British Columbia. For more information, please refer to the Company's website at www.banksislandgold.com.

ON BEHALF OF THE BOARD OF DIRECTORS

Benjamin W. Mossman, P.Eng

President, Director, & Chief Executive Officer

The TSX Venture Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release. Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This press release contains forward-looking statements. All statements, other than statements of historical fact, constitute "forward-looking statements" and includes statement regarding the timing for completion of the grinding and flotation circuits, its effect on gold recovery, grade and average payable gold, as well as any other information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company's strategy, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. These statements, however, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed, implied by or projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include but are not limited to: risks related to the exploration and potential development of the Company's project, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of gold, as well as those factors discussed in the sections relating to risk factors of the Company Annual Information Form dated February 22, 2013 filed on SEDAR.

There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. Except as required by law, the Company does not intend to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

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Contact

Banks Island Gold Ltd.

Benjamin W. Mossman, P.Eng President, Director, & Chief Executive Officer 604-245-0066 www.banksislandgold.com

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