

September 22, 2010

UPDATE

Summary of Drilling and Exploration for Base Metals – Fall 2010

A program of drilling and concurrent ground geophysical surveys is underway for the late August to November 2010 period on the mineral concession and prospecting permits held by Darnley Bay Resources Limited in the Paulatuk NWT area. Due to the cover of glacial till (sand, gravel and clay), there is minimal outcrop of bedrock in the area except in the canyons. The known bedrock consists mainly of sediments from Precambrian through to Cretaceous age. Igneous rocks that outcrop on the eastern edge of the area in the Brock Inlier are Precambrian Franklin gabbro-dolerite sills and dykes (723 million years). Samples of these sills and dykes yielded measurable amounts of nickel, copper, platinum and palladium (Geological Survey of Canada Open File 2789).

Ground Geophysics

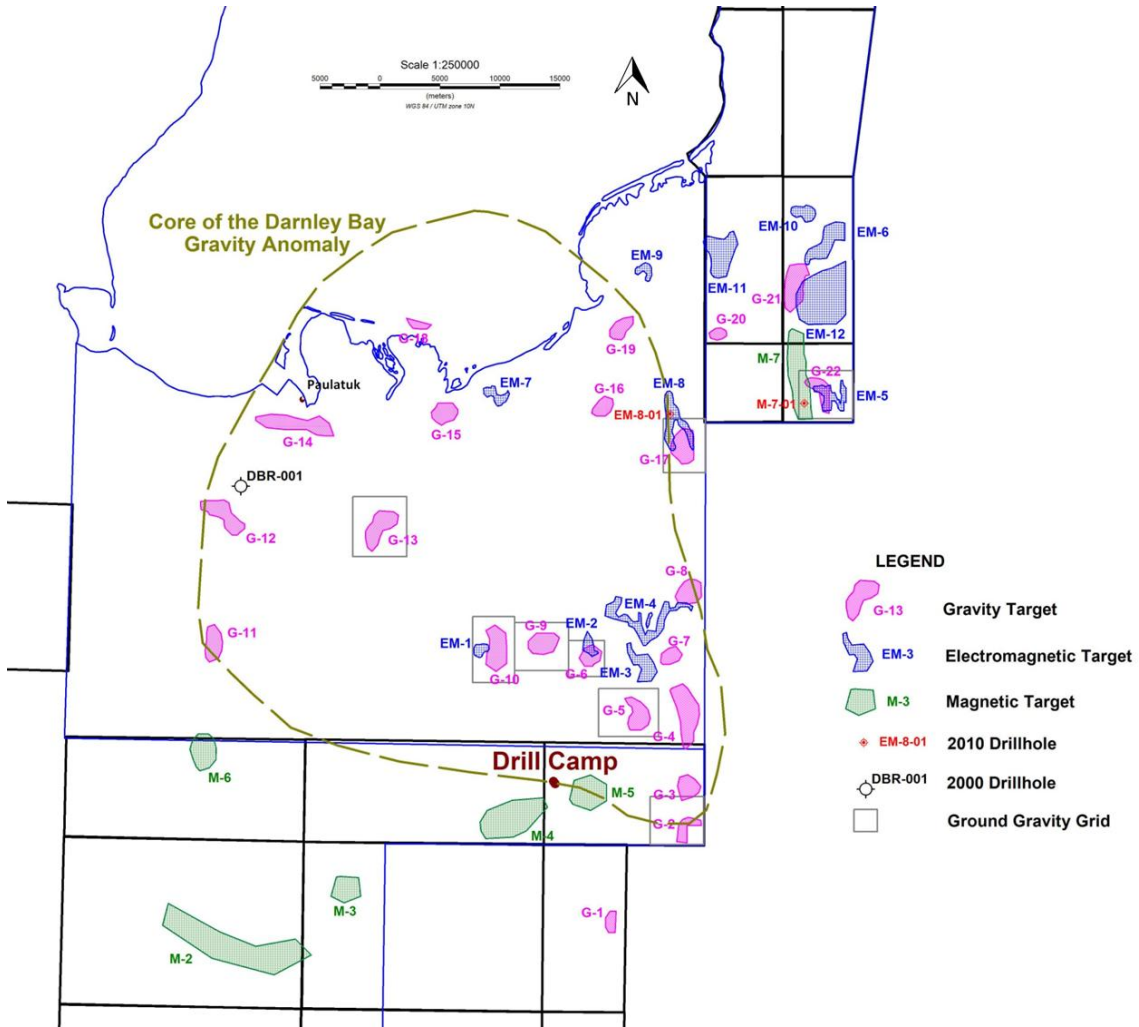
The base metal targets have been interpreted from airborne gravity, magnetic and electromagnetic surveys. 3D modelling was particularly instrumental in selecting the gravity targets. Ground surveys using each of the three geophysical methods are employed to more precisely determine drillhole collar locations, azimuth and dip. A downhole electromagnetic system is also onsite for drilling follow-up. The priority targets for ground gravity surveys are G-2, G-5, G-6, G-9, G-10, G-13, G-17 and G-22. The priority targets for ground electromagnetic surveys are EM-1, EM-6 and EM-12. Ground magnetic surveys are conducted over certain of these and magnetic targets and several other smaller targets not shown on the map.

Drilling

The first two drillholes target geophysical responses that do not require ground follow-up. Drillhole EM-8-01 is focused on a target with both electromagnetic and magnetic responses that are controlled by a north-south structure. There are many similar magnetic responses spread throughout the centre of the area, some with coincident electromagnetic responses. They reflect sources that are near surface but are not evident in the surface topography. This drillhole was sited to determine whether this type of response is due to a pre-glacial paleochannel or to igneous rocks.

Drillhole M-7-01 is focused on a linear magnetic anomaly that correlates with nearby responses over outcropping gabbro-dolerite. It is centred on a 2.1 km segment that is also conductive (VTEM conductor). This drillhole was sited to determine whether the conductive portion reflects Ni-Cu-PGE mineralization in the interpreted gabbro-dolerite.

Subsequent drillholes are being prioritized and sited based on the results of the ground geophysical follow-up to the airborne surveys. Several drillholes will focus on intersecting the upper part of the ultramafic intrusion that is the interpreted source of the Darnley Bay gravity and magnetic anomaly, and associated mineralization.



Location map of base metal targets with drilling and ground follow-up.