

May 30, 2008

DARNLEY BAY RESOURCES LIMITED - Management's Discussion and Analysis
For the three month period ended March 31, 2008

GENERAL

Darnley Bay Resources Limited was formed in 1993 to explore and develop an area of geophysical significance in the Northwest Territories of Canada and within the Inuvialuit Settlement Region. Base metal exploration resulted in the discovery of diamonds and the area is now host to two distinct interests. The Company's objective is to secure and maintain successful financing partnerships to continue exploration for base metals and diamonds resulting in the development of a profitable mining camp.

BALANCE SHEET AND OPERATIONS

At March 31, 2008, assets totaled \$425,681 compared to \$526,565 at year end December 31, 2007. During the first quarter of 2008 and 2007, the Company has not capitalized any mineral property expense. There is a continuing evaluation cost of future involvement in the project and at the year end a concession agreement cost of \$192,500 was incurred. The current liability increased slightly to \$1,970,604 from \$1,899,675 at year end 2007. There were no shares issued in the three month period in 2008 and there were 7,491,442 shares issued in the same period in 2007 for a net increase in capital stock of \$1,241,930. The current stock option disbursement incurred a stock-based compensation expense of \$713,212 at the year ended December 31, 2007. The Company reported a loss for the first quarter of \$171,814 compared to \$173,570 in 2007. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At March 31, 2008, the Company had cash resources of \$105,380 remaining from the exercise of stock options and private placements of shares in 2007 and compared to \$217,372 at year end December 31, 2007. The Company has a working capital deficit of \$1,737,424 compared to \$1,565,611 at year end 2007 and an accumulated deficit of \$22,188,772 (\$22,016,958 at year end). The Company is actively working to reduce liabilities through ongoing negotiations with primary creditors and at the time of this report two creditors have accepted to convert their debt to shares resulting in the reduction of \$87,000 from the current accounts payable and the issue of 220,948 common shares. Further, private placements of 825,000 shares increased the cash position by \$330,000 on April 15, 2008.

The Company's current funding objective is to support a base metal exploration program and fulfill its obligations to the Inuvialuit Regional Corporation as agreed upon in principle. A full review and evaluation of the exploration history of the area will support the current direction for geophysical analysis and a drilling program. At the same time, the Company is in partnership with Diadem Resources Ltd. to ensure the continuation of diamond exploration. The ability to raise the capital resources to undertake these projects is dependent upon the venture capital market and metal prices.

SUMMARY OF QUARTERLY RESULTS

<i>For the quarter ended</i>	<i>Mar. 31</i> <i>2008</i>	<i>Dec. 31</i> <i>2007</i>	<i>Sep. 30</i> <i>2007</i>	<i>Jun. 30</i> <i>2007</i>
Net loss (in thousands)	172	1,268	276	126
Loss per common share	0.01	0.03	0.01	0.01
Total assets (in thousands)	426	526	469	621
Shareholders' equity (deficiency) (in thousands)	(1,545)	(1,373)	(1,590)	(1,536)
 <i>For the quarter ended</i>	 <i>Mar. 31</i> <i>2007</i>	 <i>Dec. 31</i> <i>2006</i>	 <i>Sep. 30</i> <i>2006</i>	 <i>Jun. 30</i> <i>2006</i>
Net loss (in thousands)	174	305	469	152
Loss per common share	0.01	0.01	0.01	0.01
Total assets (in thousands)	671	38	201	159
Shareholders' equity (deficiency) (in thousands)	(2,340)	(2,402)	(2,487)	(2,466)

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

	<i>March 31, 2008</i>	<i>March 31, 2007</i>
Project evaluation and management services	50,765	30,022
Administration services	25,500	25,500
Accounting services	11,250	10,500
Premises rent	13,801	16,561
Audit fees	10,725	16,600
Legal fees	24,307	35,084
Stock based compensation	-	7,882
Office services, supplies and relocation expense	29,613	6,009
Stock transfer/exchange fees	8,343	12,683
Shareholder communication	2,360	6,751
Interest	(6,346)	4,870
Miscellaneous	<u>1,496</u>	<u>1,108</u>
	171,814	173,570

COMMON SHARES ISSUED

Common shares issued at March 31, 2008 and December 31, 2007 were 47,183,581 and there were 45,781,194 issued in the three-month period in 2007 (there were 4,560,672 shares issued at \$0.15 through private placements and 2,830,770 shares issued through the exercise of options at \$0.13 and 100,000 options exercised at \$0.10). On April 15, the Company issued 825,000 units at \$0.40 comprising of a common share and a share-purchase warrant exercisable for \$1.00 in the first year and \$2.00 in the second year up to April 15, 2010. In May 2008, two creditors agreed to convert their debt to a total of 221,448 common shares (78,948 at \$0.38 and 142,500 at \$0.40). Outstanding share purchase options granted to directors, officers and consultants include 300,000 at \$0.45 (expiring on October 16, 2009), 800,000 at \$0.35 (expiring on June 12, 2009), 1,500,000 and 225,000 at \$0.25 (expiring on March 20 and May 31, 2009) and 669,230 at \$0.13 (expiring on November 4, 2009) and are in accordance with the Company's Stock Option Plan (see note 8b of the interim financial statements). The Company has 41,866 shares in escrow.

ACCOUNTING POLICIES

The Company's accounting is based upon Canadian Generally Accepted Accounting Principles (GAAP) applicable to resource issuers, which are applied on a consistent basis. These are outlined in full detail in note 2 of Company's audited financial statements for the year ended December 31, 2007.

The recovery of amounts capitalized as Mineral Property expenditures is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to explore and develop potential ore reserves, future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. The carrying value of the mineral exploration property was considered unrecoverable and written down to \$1 due to uncertainties in financing at the end of 2005. The Company continues to retain interest in its property and looks to future funding opportunities and ongoing exploration for both base metals and diamonds.

The Company uses the fair value method of accounting for all stock options awarded. Compensation expense is recognized based on the fair value of the option on the date of the grant and is expensed over the vesting period of the option (see note 6c of the 2007 audited year end statement).

ADOPTION OF NEW ACCOUNTING POLICY

Effective October 1, 2006, the Company adopted the new recommendations of CICA Handbook Section 1530, "Comprehensive Income" and Section 3251, "Equity". These sections establish standards for reporting and presenting certain gains and losses normally not included in net earnings or losses, such as unrealized gains and losses related to available-for-sale investments in a statement of comprehensive income. There was no impact on the financial statements in the current period.

ADOPTION OF NEW ACCOUNTING POLICY (continued)

On January 1, 2008, the Company introduced policy to disclose management of capital as recommended in CICA Handbook Section 1535 and the nature and extent of risk arising from financial instruments and management of that risk from Sections 3862 and 3863.

RELATED PARTY TRANSACTIONS

Technical and administrative support is received from directors and officers of the Company. In the absence of financial resources to pay for these services, the allowable issuance of common shares for debt is undertaken. In the three month period ended March 31, 2008, amounts charged for management fees, office services and rent by La Prairie Ltd. (controlled by Leon La Prairie, CEO/director) were \$28,973 and \$30,835 in 2007. Mr. La Prairie charged \$19,500 for consulting services (2007 - \$19,500). Accounting and corporate maintenance services were provided by the Company's corporate secretary, Patricia Mannard, in the amount of \$11,250 (\$10,500 in 2007). William Allen, director, provides legal services to the Company. Legal fees were \$24,307 in the period and \$35,084 in 2007. John Dowsett, director, provided geophysical consulting services in the amount of \$1,200 (\$2,825 in 2007) and George Kent, director, provided geological consulting services in the amount of \$1,216 (nil in 2007). As at March 31, 2008, accounts payable to the above total \$517,463 (2007 - \$502,180).

At the time of this report, the above related parties held share purchase options. Leon La Prairie, CEO, holds 1,000,000 options exercisable at \$0.25 up to July 31, 2009 and Mannard has 500,000 options with the same terms. Kent and Dowsett have 400,000 and 269,230 options for \$0.13 exercisable up to November 4, 2009 and Peter Telford has an option to purchase 300,000 shares at \$0.45 up to October 16, 2009.

COMMITMENTS

Notes 4 and 11 of the financial statements for the year ended December 31, 2007 cover the governing agreements with the Inuvialuit Land Corporation, the joint venture agreement with Diadem Resources Ltd. for exploration of diamonds and other commitments.

Effective November 26, 2003, the Company entered into an agreement to form a joint venture with Diadem Resources Ltd., formerly an agreement held with Carnarvon Capital Corporation, to operate diamond exploration in an area near Paulatuk in the Northwest Territories. On November 29, 2007 the agreement was revised to set the earn-in requirement deadline of June 30, 2008.

The joint venture entered into a letter agreement with the Inuvialuit Regional Corporation allowing access to the property that lies within the Inuvialuit Settlement Region. At the time of this report, it is the Company's understanding that the conditions of the agreement have been met.

RISKS AND UNCERTAINTIES

The inherent risks, which most profoundly affect the Company's activities, are metal prices and the ability of the Company to obtain venture capital necessary in the case that an economic ore reserve is established. Further, the Company is relying on its joint venture partner to fulfill its obligations as operator of the diamond exploration project and the Inuvialuit Regional Corporation to allow property access for both projects.

CORPORATE GOVERNANCE

On February 22, 2007, the Company filed its Corporate Governance Policy document with the TSX Venture Exchange and on www.sedar.com.

OUTLOOK

The ongoing strength in metal prices and the influx of other mining companies participating in exploration in the area surrounding our interests in the Northwest Territories have bolstered financing possibilities. Continuing interest from the investment community and ongoing support from the Inuvialuit Regional Corporation and other local participants is encouraging. The Company anticipates the commencement of diamond target drilling by its joint venture partner in 2008. A base metal exploration schedule is in place based on a Strategic Review conducted in 2007 that incorporates current geophysical modeling techniques. The exploration program is contingent upon the receipt of funds through equity financing or joint venture partnerships on terms most favourable for our shareholders.

This MD&A contains certain forward-looking statements related but not limited to the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that the Company will not achieve predictions, forecasts, projections and other forms of forward-looking information.

THE MANAGEMENT'S DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 AND THE INTERIM STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008 WHICH ACCOMPANY THIS ANALYSIS AND, ALTERNATELY, ARE AVAILABLE ALONG WITH ALL THE COMPANY'S PUBLIC DOCUMENTS ON WWW.SEDAR.COM