

TORONTO, ONTARIO--(Marketwired - Oct 20, 2016) - [Darnley Bay Resources Ltd.](#) ("Darnley Bay" or the "Company"), KSV Kofman Inc. ("KSV"), acting as court-appointed receiver of [Tamerlane Ventures Inc.](#) ("Tamerlane") and Pine Point Holding Corp. ("Pine Point"), have signed a binding letter of intent whereby the Company has agreed to purchase Tamerlane's Pine Point assets located 42 kilometers east of Hay River, N.W.T., subject to certain terms and conditions, including the execution of a definitive agreement (the "Transaction"). The former producing Pine Point assets contain 42 known zinc-lead deposits over a strike length of approximately 68 kilometres, 10 of which were subjected to an NI 43-101 technical report in 2014 prepared for Tamerlane (the "2014 Report").

Darnley Bay has agreed to pay an initial fee of \$50,000 and issue 1,150,000 common shares to KSV for the option to purchase a 100% interest in the property under the following terms and conditions:

- An additional payment of \$2,950,000 on or before January 22, 2017; and
- The issuance of an additional 23,850,000 common shares of Darnley Bay on or before January 22, 2017, on the condition KSV will re-distribute the common shares such that following the re-distribution and completion of the Financing (as defined below) no new shareholder in DBL will acquire more than 19.9% of the total amount of outstanding shares of DBL.

As a condition to the completion of the Transaction, Darnley Bay intends to complete a financing in the minimum amount of \$5,000,000. Part of the proceeds from the Financing will be used to make the Transaction payment as noted above. In the event that the Financing is completed at a price below \$0.20 per common share, Darnley Bay will issue an additional 1.25 million shares to KSV for each \$0.01 below \$0.20, to a maximum additional consideration of 2.5 million common shares.

The Transaction is subject to execution of a definitive agreement and certain closing conditions, including approval of the Ontario Superior Court of Justice and of the TSX Venture Exchange.

"This acquisition is a game-changer for Darnley Bay and puts us on a clear path towards production," said Jamie Levy, President and Chief Executive Officer. "It is rare in the mining business that the opportunity to acquire an entire mining district presents itself." Darnley Bay intends to begin a preliminary economic analysis immediately upon closing.

The Pine Point property consists of a semi-contiguous group of 47 mineral claims and mining leases in the Pine Point District, about 10 kilometres south of Great Slave Lake and accessible from Hay River by all-weather year-round highway which parallels the mining lease block. Hay River in turn can be reached by 825 km of paved road north from Edmonton, Alberta. Hay River has all major services including an airport with scheduled jet service from Edmonton and Yellowknife, a rail terminal and a port from which all barge traffic go travels down the Mackenzie River. An airstrip suitable for small aircraft is also present 4 km SSE of the former Pine Point mill site and 2 km east of the former Pine Point town site. The property is subject to a 3% net smelter return royalty.

The Pine Point property belongs to the class of carbonate hosted lead-zinc sulphide deposits known as Mississippi Valley Type ("MVT") deposits, and is probably the most famous and best known Canadian example of this type of deposit. Nanisivik, Polaris and the Grey River deposits are other Canadian examples of the same geological class. MVT deposits are among the most important sources of lead and zinc in the world, exhibiting moderate to high grades, non-complex metallurgy, and processing and beneficiation characteristics that yield high quality concentrates.

ComInco Ltd. began exploration at Pine Point in 1929, with test-pitting, drilling and shaft sinking. In 1948, Cominco began major exploration work, using the Mississippi-Valley-type model to guide exploration. About 90 deposits were discovered by Cominco. By 1964, several deposits had been identified. Cominco commenced large-scale mine production in 1964 with reported reserves of 21.5 million tonnes averaging 4% lead and 7.2% zinc (a historical figure reported by Giroux and McCartney, 2001). The "Pine Point mine" was actually an assemblage of 46 separate open pits and two underground deposits, lying along a 35-kilometers trend including the concentrator at the Pine Point town site. Some 64 million tonnes of ore at a grade of 7.0% zinc and 3.1% lead was mined between 1964 and 1987. Previous drilling on the property totals approximately 1.3 million metres in 18,422 holes by Pine Point Mines (Cominco), Westmin and Tamerlane.

The Pine Point property consists of 42 separate lead-zinc deposits of varying size and grade. The following, as per the 2014 Report, is the estimated historical reserves for 10 of these deposits:

Deposit	Category	Type	Tonnes	Zinc Grade	Lead Grade	Combined Grade
R-190	Proven	U/G	647,000	12.4%	6.1%	18.5%
R-190	Probable	U/G	357,000	8.2%	5.2%	12.0%
W-85	Proven	O/P	2,326,514	4.5%	2.8%	7.4%
W-85	Probable	O/P	1,125,598	3.1%	1.4%	5.1%
X-65	Proven	O/P	2,510,448	3.6%	1.4%	5.1%
J-68	Proven	O/P	265,516	5.8%	2.6%	8.4%
J-68	Probable	O/P	2,780	2.3%	0.6%	2.9%
HZ	Proven	O/P	911,600	3.6%	3.1%	6.7%

HZ	Probable	O/P	773,796	3.6%	2.2%	5.8%
M-67	Proven	O/P	473,465	4.5%	1.3%	5.8%
M-67	Probable	O/P	210,419	5.2%	0.8%	6.0%
K-68	Proven	O/P	262,800	3.2%	1.0%	4.3%
K-68	Probable	O/P	769,126	2.6%	0.7%	3.3%
M-62,63	Proven	O/P	803,721	2.2%	1.0%	3.2%
O-53	Probable	O/P	274,812	2.7%	0.8%	3.5%
N-204	Probable	O/P	12,830,000	2.6%	0.7%	3.3%

(Note the above information is presented solely to provide a historical frame of reference and as a guide to future exploration. The Company has not yet completed the work necessary to verify the past exploration results and no "qualified person" as defined in NI 43-101 has done sufficient work to classify the historical estimate as a current mineral resource or mineral reserve. Accordingly, the Company is not treating the historical estimate as a current mineral resource or mineral reserve. Further exploration will be required to assess and verify the historical estimate as current mineral resources or mineral reserves.)

The property holds considerable potential to expand the life of the mine. As provided in the 2014 Report several of the remaining 32 deposits have historical grade and tonnage which make them potential additions to a long term mine plan. Below are five examples:

Historical Estimates of Resources

Deposit	Category	Type	Tonnes	Zinc Grade	Lead Grade	Combined Grade
K-35	Indicated	O/P	662,280	3.9	1.1	5.0%
K-35	Inferred	O/P	1,935,800	2.9%	1.1%	4.0%
L-36	Indicated	O/P	1,598,840	4.1%	1.5%	5.6%
L-36	Inferred	O/P	1,222,400	2.4%	0.8%	3.2%
X-71	Indicated	U/G	303,050	11.2%	7.1%	18.3%
N-99	Inferred	O/P	814,600	3.9%	1.2%	5.1%
X-15	Inferred	O/P	2,514,800	2.9%	0.9%	3.8%

(Note the above information is presented solely to provide a historical frame of reference and as a guide to future exploration. The Company has not yet completed the work necessary to verify the past exploration results and no "qualified person" as defined in NI 43-101 has done sufficient work to classify the historical estimate as a current mineral resource or mineral reserve. Accordingly, the Company is not treating the historical estimate as a current mineral resource or mineral reserve. Further exploration will be required to assess and verify the historical estimate as current mineral resources or mineral reserves.)

Also, despite the large amount of exploration done in the past, large portions of the property on the favorable trends, remain unexplored. A geophysical survey conducted by Tamerlane in 2005 outlined 36 untested anomalies, using EM and magnetic surveys, none of which have been drill tested (Tamerlane news release, September 8, 2005).

Darnley Bay has retained the services of John Key, who has been managing the project for KSV, and is a former president and CEO of Tamerlane. A mining engineer, Mr. Key has held several senior management and executive positions, including the top position at the largest open pit zinc mine in the world during his 5 1/2 year tenure as General Manager of Red Dog Operations for Teck Cominco in Alaska. Mr. Key's numerous accomplishments during his time operating in the arctic environment at Red Dog are highlighted by two major mine expansion projects, which in aggregate required the oversight of a budget of some \$300 million and increased the annual production rate from 500,000 tonnes of zinc concentrates to over 1 million tonnes of zinc concentrates. Mr. Key was also General Manager of Cominco's Polaris zinc mine in the Northwest Territories from 1993 to 1995.

Darnley Bay looks forward to working with the various stakeholders in this project area to ensure that the project is mutually beneficial. The Company anticipates participating in an open public engagement process with the local communities, businesses, and interested citizens. Darnley Bay also wishes to work with local First Nations to address any concerns they may have, and to earn their trust and support.

John Key, Mining Engineer and Qualified Person under NI 43-101, reviewed and approved the scientific and technical information presented in this press release.

Forward-Looking Information

This release includes certain statements that may be deemed "forward-looking statements". All statements in this release, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that Darnley Bay expects are forward-looking statements. Although Darnley Bay believes the

expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the statements. There are certain factors that could cause actual results to differ materially from those in forward-looking statements. These include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. For more information on Darnley Bay, investors should review registered filings at www.sedar.com.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Contact

Jamie Levy
President and CEO
Telephone: (416) 567-2440
(416) 361-2515
E-mail: jlevy@darnleybay.com
Web site: www.darnleybay.com