

January 17, 2007

Dear Sir or Madam:

Thank you for your {letter/email} about recent events in El Estor. Like you, we are concerned about what has happened.

We have been working with management in Compañía Guatemalteca de Niquel S.A. (CGN), Skye's subsidiary in Guatemala, which owns the Fenix Project, to assist them in resolving issues relating to the land invasions that started a few months ago and subsequent evictions. Land invasions are a significant issue in all of Guatemala and affect both publicly and privately held lands. We have had constructive dialogue in order to avoid confrontation and will continue to do so.

The situation in Guatemala is very complex and we have a strong team of Guatemalans, including Mayan-Q'eqchi, who are working to identify a solution that will also allow the economic development to proceed that will benefit the people in the region. To see what we're doing, please visit our website www.skyeresources.com.

CGN management met with the squatters' leaders in December 2006. This meeting was held under the auspices of the Bishop of Izabal. In the meeting, the leaders said squatters would leave the illegally occupied land so their representatives could discuss with CGN how to address their concerns. We're disappointed that the organizers of the land invasions were not able to keep their commitment to have their people leave the land so we could engage in further dialogue.

The First Instance Criminal Court of Guatemala, responsible for deciding land dispute issues such as this, ruled in early December 2006 that CGN has legal title to the land. The Judge then directed the District Attorney (Fiscal) to tell the squatters they were legally required to leave the settlements they had set up over the previous two months.

Five sites were affected by the eviction orders. The squatters were told in advance so they could leave before the arrival of the police delegation. As a result, there were only about 155 people on the sites when the orders were enforced. During the final eviction, a small group of 15 squatters confronted the police, but no-one was hurt during the eviction process.

Again, I would like to emphasize that these evictions were not the preferred course of action to settle the land invasions. The company did everything in its power to ensure that the evictions were carried out in the best possible manner while respecting human rights. A special unit of the national police that has been trained to avoid violence in such situations carried out the operation. The police were unarmed.

CGN requested regional, national and international human rights observers to be present during the process. Three paramedic units were also present in the field to deal with possible injuries. The company also arranged transportation for the evictees to Panzos and Santa Maria where support services, including food and water, would be provided under the auspices of the mayors of those communities.

Under Guatemalan law, in this situation the land must be cleared of all structures and belongings during the process. CGN management were present and provided financial compensation to people for loss of personal property (including structures, cooking utensils, bicycles and any crops that were planted). They also arranged to transport the people's belongings back to their respective principal residences and villages.

During the eviction process, a total of 18 makeshift houses were set on fire (8 in Sepila and 10 in Manto Quatro). While we don't know who started the fires, we do know it was not anyone who works for CGN or contracted by CGN. The Company does not condone such actions.

In closing, I would like to acknowledge the time and diligence that you put into the preparation of your letter. We constantly seek to learn how to improve our consultation processes and to better understand how we are perceived. Feedback, such as you have given us, is an important contribution to our efforts.

Sincerely,

Ian G. Austin
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The people of Skye Resources remain committed to open and transparent communication on all issues and concerns related to the Fenix Project. We believe that transparency and extensive continuing public consultation will lead to the creation of a world-class project in El Estor, Guatemala that will provide wide-ranging benefits to the people of that region. We are taking whatever steps we can to build trusting relationships with our neighbors and to respond to their fears and concerns.