

October 9, 2006

Dear Ms Henderson,

Thank you for taking the time to send us your thoughts and concerns regarding the Fenix Project operated by Compañía Guatemalteca de Niquel S.A. (CGN), whose major shareholder is Skye Resources of Vancouver, Canada.

The people of Skye Resources are 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 which 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.

Your letter addresses four areas of concern: community relations, property rights, social services and environmental protection. As you requested, I would like to address each concern in turn as they appeared in your letter.

Community Relations:

1. A primary mandate of the CGN Community Relations Team (CRT) is to develop, build and maintain trusting relationships with the communities. This includes visits and information sessions in communities. It is the CRT's policy to pay courtesy visits to the communities and to accept invitations from the communities to engage in meaningful dialogue within their communities. Since its inception, the CRT has visited more than 30 communities: 145 visits in 2005 and 203 during the current year, for a total of 348 visits. The CRT has also been proud to receive over 20 groups from neighbouring communities in the past year for dialogue at the company's offices.

In the case of Chichipate, the CRT was directly involved in visits, meetings and seminars in this community in 11 out of the last 16 months.

2. The "Our highest priority, our future" posters of smiling children you refer to in your letter are not company material. The poster is a picture that was presented as a gift to the CRT following an educational activity the team participated in. The picture is on display in the CRT office.
3. Yes, we did build a facility with the "ranchón" design. This facility is used for a variety of purposes including meetings, civic activities, internal seminars and as a waiting area. Inherent to the ranchón design is its ability to provide a wide-open space that is well ventilated — a requirement during the warm and humid times of the year. Often, it is nicer and more comfortable to gather in this facility than remain inside a hot and stuffy room while an air conditioner fights a losing battle. Our Gestores prefer to use this facility for their weekly meetings instead of the CRT's "interior" offices.
4. CGN has an active policy of allowing people with legal permits to transport wood through our property. If you require further details on how this program works please contact us.
5. There are 17 "key communities" that are defined as ones with a direct relationship – neighboring communities to CGN properties or within the exploitation licence, as well as 14 neighborhoods of the municipality of El Estor. This doesn't mean that the other communities are less important. CGN's priority, however, is to have a permanent connection with these key communities and then gradually integrate the other communities into an expanding circle of relationships.
6. Our priority is to hire local people from the municipality of El Estor. However, if we cannot find qualified people within the area, we will broaden our scope to other areas including Rio Dulce, Cobán or Guatemala City.

7. We have not and will not “gift” leaders or influential member of the Indigenous community with “office jobs”. We are approaching them to understand and listen to the concerns of the population.

Property Rights:

1. CGN has not donated a portion of its lands to the Chichipate community and does not claim any credit for such a “gift”. During the Exmibal years, INCO did give the community of Chichipate land that is outside of CGN’s current licence area. We can neither comment nor speculate on the background for this donation to the community.

Social Services:

1. Raxche’ has been working to improve health and education in the communities surrounding the Project. The foundation’s goal is to be a catalyst for sustainable community development and to become financially independent. At the moment, the majority of its funding is from CGN.

Raxche’ has refurbished the Sequenel school and established an agreement with a bilingual institute to use the reconstructed facilities as an educational centre for the training of bilingual teachers (Spanish and Q’eqchi’). This is run as a private institution and is not free. Raxche’ supports this institution’s efforts because it is creating a program of scholarships to students within the region and is a training facility for much needed bilingual teachers.

The Raxche’ foundation is financing, with the support of “Escuelas sin Fronteras” (a French NGO) 3 secondary schools: one in Pancalá, one in Rio Sauce Sexan and the other in Chineval, Agua Caliente. Raxche’ is working with SOSEP (First Lady NGO) to support elementary schools in the area; at the moment the goal is to repair 5 educational centers. Additionally, Raxche’ has sponsored the salary of an elementary teacher and donated funds to buy land for schools and desks.

2. Currently the Raxche’ foundation has 55 active projects, 16 of which are just starting operations. Raxche’ has 5 projects in Chichipate.
3. Raxche’ is currently sponsoring its 2nd Ophthalmologists Health Campaign, and working with several organizations for the restoration and reopening of Tzunun Ha’ Hospital. The hospital is expected to reopen in February 2007 with programs focused on preventive health and family healthcare.

Environmental Protection:

1. The reforestation and rehabilitation of land throughout each phase of production is very important. During our studies into Mayan ‘cosmovision’ and after extensive consultations with stakeholders we better understand the importance of returning the land to its natural condition. Stakeholders’ say that they believe the land can be rehabilitated. However, because of past experience they are fearful that this process will not occur. You may not be aware that reforestation research was carried out by Exmibal in the area of mining activity described as Cerro 400. This area provides demonstrated evidence of the ability to rehabilitate mined areas with a forest cover and an understanding of the techniques that could be applied in the future to achieve this objective. (Unless you were specifically shown this land you would not recognize that it had indeed been mined and reforested). We have made a commitment to return the land to its natural state on a sequential basis both during and on completion of our mining activities and to rehabilitate the lands we have inherited.
2. Over the past one and a half years, we have embarked on a community engagement program based on open, transparent and meaningful dialogue with all stakeholders. Continuing to enhance this process is important and we will take advantage of all opportunities to improve the effectiveness of dialogue and feedback with communities based on the principals of trust, respect and understanding.

To date, we have developed and conducted our Guatemalan EIA programs to comply with the requirements of Guatemalan Environmental Law and its applicable regulations. We also are committed to meeting the new IFC Performance Standards (<http://www.ifc.org/>) that recently have been adopted by the International Finance Corporation of the World Bank Group. They provide a sound basis for establishing honest and respectful relationships between a mining proponent and affected communities. Notably, Performance Standard 1 says proponents must "ensure that affected communities are appropriately engaged on issues that could potentially affect them."

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, and feedback, such as you have given us, is an important contribution to our efforts.

Sincerely,

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