



April 20, 2005

Dear Shareholders,

Over the last year, your company, Skye Resources, has made remarkable progress as we drive towards our strategic goal of becoming a new nickel producer. We have assembled a small experienced management team which rapidly completed a preliminary assessment of alternative approaches for our Fenix nickel project in Guatemala. Based upon the encouraging results, we are now undertaking a full feasibility study for a ferro-nickel project.

The plan is to refurbish and expand the existing smelter so that it can produce about 45 million pounds of nickel annually. The feasibility study will be complete in early 2006, following which construction would commence. The project would use conventional technology which has already been successfully applied at this property.

We are already paying considerable attention to community and environmental issues, and are devoting significant resources to discussing our plans for the Fenix project with the local communities, with the objective of identifying and creating “win/win” outcomes. We are pleased with the support we are experiencing, but recognize that there is much that we must still do to build the type of trust that will be required.

The development of our proprietary sulfuric acid atmospheric leaching process for nickel laterites is continuing, and we are achieving encouraging results in our pilot plant. This testing is demonstrating that the process should live up to our expectations. In the coming months we will be looking at how we can use this technology to create further opportunities for Skye.

The team at Skye is moving rapidly to take advantage of the excellent nickel market conditions. We appreciate the support we have received from our shareholders who have provided funding, not only to get us to where we are today, but also to complete the feasibility study. The next year will see our level of activity continue to increase substantially, and it will all be focused on our goal of achieving meaningful nickel production as soon as possible.

Sincerely,

A handwritten signature in black ink that reads 'I. Austin'.

Ian G. Austin
President & CEO