

MANAGEMENT RESPONSE TO PUBLIC CONSULTATION REPORT

In preparing the Fenix Project Public Consultation Report, Skye Resources directed a team of national and international professionals with extensive experience in public consultations to undertake a process with local communities and other stakeholders of the Fenix Project. This consultation process meets [IFC Social Performance Standards](#) and other key international benchmarks, such as the [Equator Principles](#), and also meets the principles of Skye's Social and Environmental Commitment. In this, Skye Resources says that wherever we operate we will:

Consult with communities to listen, to inform, to discuss, so as to ensure that community concerns are heard and properly considered: we will conduct these consultations throughout the life of the project, while evaluating development options, prior to a decision to proceed, during the construction and operating phases, and finally, when the time comes, prior to closure.

The consultation teams reached 3,292 people from more than 28 communities through two or more of the following consultation techniques from January to August 2006, inclusive:

- Door-to-door interviews
- Meetings with communities
- Assemblies with communities
- Focus groups
- Technical seminars
- Pavilions (fixed and mobile)
- Brochures, and
- Audio and video programs.

The process was designed to engage all levels of stakeholders and reached local indigenous communities, representatives of government, NGOs, the business community and the public-at-large. The subjects of discussion ranged from general concerns and information requirements about the Project to specific interests related, but not limited to, the natural environment, public health, occupational health and safety, employment and training, economic development, public services, and cultural and social matters. Special effort was made to engage those who are often overlooked during consultation processes, especially women, children, youth and the elderly.

Skye considers the Public Consultation Report as an initial step of a process rather than an end product. The report provides us with invaluable guidance to help take into account the voices and concerns of the community through all our activities from the design, development and operation of the project to its closure. The Executive Summary presented here describes the priority issues and concerns raised by the communities during this outreach and consultation, principally:

1. Water Quality And Supply
2. Lack Of Information And Communication On The Project
3. Job Availability For Local People
4. Benefits To Local People
5. Land Tenure

To address these specific concerns, the following concrete steps have been taken:

1. Water Quality And Supply

Environmental protection systems will limit unacceptable impacts from the Fenix Project. Our engineering design and operating procedures will allow the most efficient use of water that is

achievable with modern and available technology. Water consumption by the process and power generation plants will be about 5% of the water used by the former operation, and the Fenix Project Feasibility Study indicates that the average make-up water requirement is 693 cubic meters per hour. This represents less than 0.1% of the average flow of water into the lake via the Polochic River.

The Project's technical design focuses on minimizing the use of water, reusing and recycling at every opportunity through closed circuits. The principal use of water occurs in the power plant and the smelting process, wherein water is evaporated in the cooling systems of the plant. The project's cooling towers will take hot water from the power plant condenser and the process plant heat exchanger and cool it by evaporation prior to recycle. Make-up water is required as compensation for this evaporation. This process is vastly different from the former project, wherein lake water was taken directly into the condenser, and then hot water was sent right back into the lake.

Surface runoff water upstream of the plant will be diverted around the plant site. Rainfall within the plant site will be collected in settling ponds in order to remove any suspended sediments before it is recycled directly to the plant or safely discharged during heavy rains. Domestic sewage will be treated in a dedicated three-stage treatment plant on site and the treated water will be recycled.

An extensive program of baseline environmental characterization has been carried out for more than two years and provides the basis for a comprehensive program of water quality monitoring throughout the mine life.

2. Lack Of Information And Communication On The Project

As of December 2006, the company has improved and decentralized its Community Relations activities, responding directly to the needs and concerns of local residents and other project stakeholders. A new Manager of Community Relations was hired, with a clear mandate to respond directly to families and individuals most impacted by Skye's operations.

Offices have been established in the communities of El Estor, Panzos and Mariscos, with the goal of providing stakeholders with direct and constant access to project information and company representatives, and to ensure a fluid exchange of information.

To facilitate this, a Community Communication Coordinator has been assigned, and several initiatives have been undertaken to ensure a consistency of communication about the project. Beyond the process of listening and frank, open dialogue that happens day to day between our staff and the local population, we have undertaken the following:

- Design, printing and distribution of 5,000 informative brochures – 3,000 in Quechi and 2,000 in Spanish;
- Distribution of quarterly publication "Fenix", with project information relevant to local communities

As a progressive company, Skye will also be working actively with our stakeholders to ensure appropriate oversight over our operations – especially with regard to environmental impact mitigation. Further communications and information dissemination regarding the project shall be structured according to the Fenix Project Public Consultation and Disclosure Plan (PCDP). This document is based upon the Equator Principles and IFC Performance Standards that require

continuous consultation. A draft version of the Fenix PCDP will be published shortly with the completed Social and Environmental Assessment. Its further development and refinement will be derived from our ongoing engagement with the community.

3. Job Availability For Local People

Even at these early stages, Skye's local subsidiary CGN has hired more than 200 people in Guatemala, including more than 100 people from the local area. It is anticipated that during the construction phase of the Fenix project, more than 1,500 jobs will be created, and that over the 30+ year life of the operation, 1,100 people will be employed.

Not all of these jobs will go to local residents but preference will be given to local people with the necessary skills and experience. The economic multiplier created by direct employment will yield many additional employment opportunities, whether these provide services to the project or to meet the broader needs of the community. Employment for the project started with the exploration program initiated during the project feasibility study and continues today. Additional employment is now underway as we carry out a program of cleaning out the existing plant and facilities and prepare for construction.

The Guatemalan Ministry of Energy and Mines estimates that in Guatemala, the formal and responsible mining industry could produce as indirect employment on a 5:1 ratio. In Fenix's operations phase that could yield over 5,000 indirect jobs. To help address the expected demand, Skye supports the [Raxche' Foundation](#) to develop regional training and micro-enterprise initiatives. Its efforts to date have included successful poultry-raising and aquaculture business start-ups, among others. It also conducts literacy training and sponsors post-secondary education.

Skye and CGN have a policy of contracting qualified local and regional workers first, only hiring outside the region if there is no reasonable way to hire and train locally for the positions in question. This ensures that job opportunities and benefits will go to those communities and families closest to and most affected by our operations near El Estor.

Not everyone will have the skills and experience to gain employment with the project. Others will prefer to pursue their traditional lifestyle or to seek alternate employment. Training and capacity-building will broaden the opportunities that will be available and we are committed to supporting this need through the expansion of available education opportunities. Discussions are also underway with the government apprenticeship training agency INTECAP (Technical Training Institute) to commence a program to enable local residents to acquire the trade skills that will be required for the mine and processing operations.

It is our belief that well paid formal employment provides the best opportunity for families in these communities to overcome the challenges of poverty, and Skye wants to be an active partner in the development of the area.

4. Benefits To Local People

Fenix is a world-class project, and is expected to operate for over 30 years, providing positive social and economic development outcomes to families and communities in the region. In addition to the significant local income generation derived from direct employment mentioned previously, the project will be paying significant taxes into national and local governments,

providing resources required to help the region's public sector provide vital goods and services and ensure a strong regulatory environment.

It is Skye and CGN's vision to partner with local communities and entrepreneurs in this economic development by providing significant local contracting opportunities, develop co-financing mechanisms, business development support and logistical support. The project will have a broad supply chain, and it is expected that the project will trigger economic diversification and development in a number of areas, including accommodations & catering, transportation, industrial supplies, trades, and others.

In addition to the direct and indirect economic benefits accruing to local families, significant investment in social development and poverty alleviation is already being made by Skye Resources in the region, and this will continue throughout the life of the project, in accordance with the priorities of the communities themselves. Some of the social development priorities that Skye and CGN are currently investing in and partnering with the local communities in are as follows:

- Improved community infrastructure
- Education, training and capacity-building
- Health services
- Agricultural development support
- Reforestation
- Clarity of land tenure and land boundaries
- Housing

From the beginning the project will adopt a philosophy of planning for its ultimate closure taking into account the on-going sustainability of the economy and the post-mining productive use of the land.

5. Land Tenure

Access to land and land tenure are fundamental concerns for a population and culture that has historically and continues to derive their livelihoods from the land, in large part through subsistence agriculture as well as hunting and gathering. We recognize that access to land is a major issue in Guatemala, and we understand the pressures created as local communities grow, and seek areas for housing and subsistence farming.

The Fenix Project will be developed on land that is completely within the boundaries of property already legally acquired by Skye Resources, and no additional land is required for the Project as contemplated in the feasibility study, nor will any involuntary resettlement of established residents be required. Future exploration activity within the area authorized by our license would require negotiation and acceptance of activity by the communities in the north of the Project area. Meanwhile, we continue to support the government survey office (Catastro) in its efforts to establish legal tenure for these communities.

Our Community Relations team is currently working closely with local families who do not have land to live or produce on, in order to find just, legal and lasting solutions to their challenges.

Other legitimate concerns are raised in the report and these will also be taken into account through the course of project development, operation and ultimately, mine closure.

The issues and concerns expressed by the community reflect the fundamental elements that define sustainable development: environmental protection, economic development and social equity that also define Skye's vision for developing, operating and eventually closing the Fenix Project. By the nature of its non-renewable resource development, the Project's mining and mineral processing activity will have a finite life. However, by adopting the principles of sustainability as our guide we are committed to receiving, understanding and responding to the community's concerns.

In its [Social and Environmental Commitment](#), Skye Resources says that *we will review regularly and report publicly on our progress to ensure that our commitments are met and that they remain relevant.*

These commitments define our goals and will guide our actions in responding to the communities and stakeholders in the Project area. We continue to develop and implement programs and share information to build understanding and confidence that their concerns are being appropriately addressed. These include:

- On-going Public Consultation and Engagement
- Development of the Social and Environmental Management System and organization of the Community Relations and Environment Departments to implement its programs consistent with the Equator Principles and IFC Performance Standard 1.
- Maintaining our sponsorship of Raxche' Foundation for regional sustainable development initiatives while supporting its efforts to broaden its participation and sources of funding.
- Commitment to the process to achieve ISO9001 and ISO14001 Certification.
- Preparation of our first Sustainability Report for 2007.

For more information on Skye's Public Consultation Process for the Fenix Project, please contact info@skyeresources.com