

December 19, 2006

Dear Sir or Madam:

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 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.

In particular, Skye has 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 recent series of land invasions. Land invasions are a significant issue in all of Guatemala and affect both publicly and privately held lands.

Last week, representatives of CGN senior management met with the Bishop of Izabal and representatives from the squatters to find a path forward in resolving issues.

Following the destruction of CGN facilities on November 13<sup>th</sup>, including a hospital used by surrounding communities, CGN has worked actively to find a peaceful, legal solution to claims made by people squatting on company land. To date, CGN has not evicted anyone – it has simply asked them to leave voluntarily and told them that, if necessary, it would seek eviction orders. Some people have chosen to leave on their own. (For a chronology of events, please visit [http://www.skyeresources.com/community/in\\_the\\_news/](http://www.skyeresources.com/community/in_the_news/)).

In the meantime, people in the town of El Estor created a neighbourhood watch-type organization. This is akin to a North American style neighborhood watch program where local citizens monitor their community and report suspicious activity to police for action. CGN supports the communities' continuing efforts to find peaceful ways to resolve land and other issues.

It has also confined its exploratory drilling to land for which it holds the surface rights and supported the government in resurveying the boundaries of its land. The survey, conducted by the government land agency, CATASTRO, is expected to define the boundaries of all land holdings in the area. This is an ongoing effort whose purpose is to clarify land tenure issues in the communities near the Project site, since most dwellers have no legally recognized land titles. The main purpose is oriented to provide titles that bring to communities a legal certainty.

To demonstrate our commitment to open and transparent communication on all issues and concerns related to the Fenix Project, we added a Community Relations section to our web site last year, including; recent initiatives, public consultation and detailed discussions of issues. For more information and a chronology of recent events in the El Estor area, please visit our web site at <http://www.skyeresources.com/community>.

We welcome discussion and concern about these issues. Anyone seeking additional information should contact me.

Sincerely,

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