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For Immediate Release **NEWS RELEASE** **TSX Symbol: SKR**

SKYE REPORTS NEW RESOURCE ESTIMATES FOR FENIX

VANCOUVER, BC, (July 4, 2006) – Skye Resources Inc. (TSX: SKR) today reported that it has received new resource estimates from Snowden Mining Industry Consultants Inc. ("Snowden") in support of Skye's Fenix project feasibility study. Snowden has re-evaluated the saprolite resources for five of the Fenix deposits which contain a measured and indicated resource of 27.6 million tonnes grading 1.85 % nickel (at a 1.5% cut-off) with additional inferred resources of 7.0 million tonnes grading 1.65% nickel. A further 10 Fenix saprolite deposits, not re-evaluated by Snowden, contain measured and indicated resources of 38.6 million tonnes grading 1.80% nickel (at a 1.6% cut-off) and inferred resources of 48.2 million tonnes grading 1.64% nickel.

Skye has also received Snowden's estimates of the limonite resources at these five deposits. Snowden reports measured and indicated limonite resources of 33.1 million tonnes grading 1.18% nickel and 0.12% cobalt (at a 1.25 % Ni equivalent cut-off) with additional inferred resources of 7.4 million tonnes grading 1.10% nickel and 0.10% cobalt.

In addition, there are inferred limonite resources of 17.3 million tonnes grading 1.30% nickel and 0.10% cobalt in one deposit not included in the Snowden estimate. The limonite at the other nine deposits has not yet been evaluated. Limonite, while not suitable for treatment in the pyrometallurgical project which is the subject of the feasibility study, is presently being evaluated in a separate preliminary assessment of a 50 million lb per year expansion of the feasibility study project using high pressure acid leaching (HPAL).

"These results demonstrate the scale and quality of Fenix by confirming our prior estimates of the saprolite resource and significantly expanding the limonite resource," said Ian Austin, President and CEO. "If we choose to expand the scale of the project, there is enough saprolite at Fenix to support a much larger or longer life ferronickel project than that contemplated in the feasibility study. In addition, the 55 million tonnes of inferred saprolite resource suggests that there is further significant upside potential at the property."

Summary

The newly estimated resources are classified in accordance with the CIM definitions in National Instrument 43-101 and have been evaluated over a range of cut-offs as it has not yet been determined what cut-off should be used in the feasibility study. Resources are reported at two cut-offs in the following table.

Snowden Estimates – Deposits 212, 213, 215, 217 and 251:

Saprolite Resources	Dry Tonnes (000's)	% Ni	% Fe	SiO_2/MgO	Cut-off (% Ni)
Measured	8900	1.85	16.3	1.53	1.25
Includes					
	6640	2.01	15.2	1.53	1.50
Indicated	32170	1.65	18.1	1.53	1.25
Includes					
	20910	1.80	17.9	1.53	1.50
Measured + Indicated	41060	1.69	17.7	1.53	1.25
Includes					
	27550	1.85	17.3	1.53	1.50
Inferred	20460	1.46	18.5	1.60	1.25
Includes					
	7000	1.65	18.5	1.62	1.50

These new Snowden estimates cover those deposit areas to be exploited over the 20 year term of the smelter project which is the subject of the feasibility study. The smelter project will require approximately 27 million tonnes of saprolite in reserves. The Snowden estimates replace mineral resource estimates for the corresponding deposits as disclosed by Skye in earlier technical reports[1]. The resources not re-evaluated by Snowden as part of their study remain as reported (see table below), with the exception of 1.4 million tonnes grading 1.66% nickel in Area 251 which has been re-classified as inferred.

Previous Estimates – Other Deposits

Saprolite Resources	Dry Tonnes (000's)	% Ni	Cut-off (% Ni)
Measured	8,710	1.79	1.6%
Indicated	29,850	1.81	1.6%
Measured + Indicated	38,560	1.80	1.6%
Inferred	48,220	1.64	1.6 % and 1.0%

Preparation of Resource Estimates

To prepare its estimates, Snowden has evaluated diamond drill hole results from Skye's recently completed 36,200 m drill campaign in conjunction with the large historic drill hole and test pit database and also mine production data. The validity of the historic data used in the new estimates has been extensively reviewed and approved by Dr. P. Golightly of Golightly Geoscience Ltd., an independent qualified person for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects).*

Snowden carried out resource estimates by first constructing three-dimensional geological interpretations of the laterite profile and interpolating Ni, Co, Fe, MgO, SiO_2 grades and dry density into block models using ordinary kriging. The estimation techniques meet industry accepted practice for laterite deposits and the resource categories used are the CIM resource definitions required by NI 43-101. Snowden has reported the resource estimates at a variety of nickel cut-offs as it has not yet been determined what cut-off grade should be used in economic modelling. Mineral resources not converted to reserves do not have demonstrated economic viability. Parameters used in the Snowden estimates are:

- Block model dimensions of 25m x 25m x 2.5m for the 213, 215, 217 and 251 areas, which areas typically were drilled at spacings of 50 m or less. A smaller block dimension of 12.5m x 12.5m x 2.5m is used in area 212 where the drill spacing is 25 m or less. Three dimensional block models identify the limonite, transition and saprolite horizons within the laterite profile
- Saprolite estimates include transition material. Limonite estimates exclude transition material
- Measured saprolite resources are defined by drill spacing up to 25 m apart
- Indicated saprolite resources are defined by drill spacing up to 75 m apart
- Measured limonite resources are defined by drill spacing up to 75 m apart
- Indicated limonite resources are defined by drill spacing up to 100 m apart

The effective date of the new resources is January 31, 2006 when drilling was completed for the feasibility study. Drilling has continued on the property to upgrade the measured and indicated resource inventory.

Tabulations of the new estimates by deposit area are given in Tables 1 and 2 at the end of this release. A location figure for these resources can be viewed on the company's website www.skyeresources.com. To Skye's knowledge, none of the resource estimates are materially affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The data were validated and the mineral estimates for areas 212, 213, 215, 217 and 251 prepared by the designated Qualified Person for the project as defined in National Instrument 43-101, Andrew F. Ross FAusIMM (CP) and PGeo, of Snowden Mining Industry Consultants Inc. of Vancouver, BC, (an independent "qualified person" for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects).

Dr. Paul Golightly, PGeo is the independent QP, as defined under NI43-101, responsible for the quality control and verification of the data used by Snowden in the resource estimates. Details of the procedures for logging, sampling, density determinations, assaying and quality control measures are given on the company's website: www.skyeresources.com

[1]*Previous disclosure of resource estimates are in the technical reports:* *Exmibal Nickel Project*, December 2, 2003 by Dr. D. Bongarçon and B. Montpellier, AMEC Technical Services Ltd. ("Amec") and *Fenix Nickel Project: Nickel Laterite Deposits of the Lake Izabal Region, Guatemala*, August 8, 2005 by Dr. P. Golightly, Golightly Geoscience Inc. ("Golightly"). The historic resources reviewed by Amec and Golightly and re-classified according to the CIM resource definitions employed 2D estimation techniques using an inverse square distance function at a 1.6% Ni cut-off, a minimum mining width of two metres and an upper Fe limit of 38%. A constant density of 1.08 g/cm^3 was assumed for saprolite.

About Skye

Skye is an international mining company focused on becoming a new mid-tier nickel producer. The Company acquired the rights to its Guatemalan lateritic nickel project (the Fenix project) in December 2004 and is currently undertaking a feasibility study for a 50 million pound per year ferronickel operation using proven conventional smelting technology. www.skyeresources.com

Cautionary Notices

This news release may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming work programs, geological interpretations, capital and other costs and credits, timing for and results of feasibility study and other programs, receipt of property titles, potential mineral recovery processes, and other related matters. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. The Fénix Project is at an early stage and all estimates and projections are based on limited, and possibly incomplete, data. More work is required before the mineralization and the Project's economic aspects can be confidently modeled. Actual results may differ materially from those currently anticipated in this presentation. No representation or prediction is intended as to the results of future work, nor can there be any promise that the estimates and projections herein will be sustained in future work or that the Project will otherwise prove to be economic. The forward-looking statements included in this news release represent Skye's views as of the date of this news release. While Skye anticipates that subsequent events and developments may cause its views to change, it specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing its views as of any date subsequent to the date of this news release. All subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

Inco Limited, the former 70% owner of the facilities and mineral rights that comprise the Fénix project, takes no responsibility for nor makes any representation or warranty of any kind relating to any information contained in this news release.

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Table 1
Snowden Resource Estimates by Area
Saprolite
(1.5 % Ni cut-off)

Area	Dry tonnes 000's, Measured	%Ni	%Co	%Fe	%SiO_2	%MgO	SiO_2/MgO
212	4000	2.06	0.039	14.7	35.9	23.9	1.50
213	620	2.13	0.044	15.0	35.9	22.0	1.63
215	40	1.82	0.041	14.8	36.3	24.1	1.50
217	1970	1.87	0.050	16.3	34.7	22.3	1.56
251	0	0.00	0.000	0.0	0.0	0.0	0.00
Total Measured	**6640**	**2.01**	**0.042**	**15.2**	**35.5**	**23.2**	**1.53**

Area	Dry tonnes 000's, Indicated	%Ni	%Co	%Fe	%SiO_2	%MgO	SiO_2/MgO
212	220	2.05	0.037	14.2	36.3	24.3	1.49
213	190	1.76	0.046	15.3	36.9	20.7	1.78
215	4500	1.77	0.049	19.6	31.8	20.1	1.58
217	6340	1.78	0.043	16.5	34.7	22.1	1.57
251	9650	1.81	0.041	18.1	33.0	22.2	1.49
Total Indicated	**20910**	**1.80**	**0.043**	**17.9**	**33.3**	**21.7**	**1.53**

Area	Dry tonnes 000's, Measured + Indicated	%Ni	%Co	%Fe	%SiO_2	%MgO	SiO_2/MgO
212	4220	2.06	0.039	14.7	35.9	23.9	1.50
213	820	2.04	0.045	15.1	36.1	21.7	1.67
215	4550	1.77	0.049	19.6	31.8	20.2	1.58
217	8320	1.80	0.045	16.5	34.7	22.2	1.57
251	9650	1.81	0.041	18.1	33.0	22.2	1.49
Total Measured + Indicated	**27550**	**1.85**	**0.043**	**17.3**	**33.9**	**22.1**	**1.53**

Area	Dry tonnes 000's, Inferred	%Ni	%Co	%Fe	%SiO_2	%MgO	SiO_2/MgO
212	130	1.90	0.027	11.2	38.5	27.2	1.42
213	2	1.53	0.051	11.2	39.2	24.5	1.60
215	4330	1.65	0.051	20.1	31.7	19.3	1.64
217	2540	1.65	0.043	16.1	34.9	21.9	1.59
251	0	0.00	0.000	0.0	0.0	0.0	0.00
Total Inferred	**7000**	**1.65**	**0.048**	**18.5**	**33.0**	**20.4**	**1.62**

Note: Co, Fe, SiO2 and MgO are reported to characterize the chemistry of the saprolite and as a guide to the suitability of the material for pyrometallurgical processing. With the exception of a credit for Fe in ferronickel, they do not have economic value as recovered products.

Table 2

Snowden Resource Estimates by Area

Limonite

(1.25 % Ni equivalent cut-off: NiEq = Ni + 3Co)

Area	Dry tonnes 000's, Measured	NiEq	%Ni	%Co	%Fe	%SiO_2	%MgO
212	1890	1.53	1.21	0.106	44.9	5.9	0.9
213	40	1.72	1.32	0.132	44.5	5.7	0.9
215	6000	1.51	1.16	0.115	44.6	5.7	1.2
217	10430	1.51	1.16	0.118	45.0	6.0	1.0
251	13950	1.57	1.20	0.124	45.6	4.7	1.0
Total Measured	**32320**	**1.53**	**1.18**	**0.119**	**45.2**	**5.4**	**1.0**

Area	Dry tonnes 000's, Indicated	NiEq	%Ni	%Co	%Fe	%SiO_2	%MgO
212	2	1.51	1.10	0.137	42.3	6.9	0.9
213	0	0.00	0.00	0.000	0.0	0.0	0.0
215	530	1.51	1.16	0.117	44.4	6.0	1.2
217	220	1.34	1.04	0.100	44.2	6.3	1.0
251	0	0.00	0.00	0.000	0.0	0.0	0.0
Total Indicated	**760**	**1.46**	**1.12**	**0.112**	**44.3**	**6.1**	**1.2**

Area	Dry tonnes 000's, Measured + Indicated	NiEq	%Ni	%Co	%Fe	%SiO_2	%MgO
212	1900	1.53	1.21	0.106	44.9	5.9	0.9
213	40	1.71	1.32	0.132	44.5	5.7	0.9
215	6530	1.51	1.16	0.115	44.6	5.7	1.2
217	10650	1.50	1.15	0.117	45.0	6.0	1.0
251	13950	1.57	1.20	0.124	45.6	4.7	1.0
Total Measured + Indicated	**33070**	**1.53**	**1.18**	**0.119**	**45.2**	**5.4**	**1.0**

Area	Dry tonnes 000's, Inferred	NiEq	%Ni	%Co	%Fe	%SiO_2	%MgO
212	0	0.00	0.00	0.000	0.0	0.0	0.0
213	0	0.00	0.00	0.000	0.0	0.0	0.0
215	5110	1.40	1.12	0.095	42.7	6.6	1.1
217	2250	1.36	1.07	0.097	43.1	7.4	1.1
251	0	0.00	0.00	0.000	0.0	0.0	0.0
Total Inferred	**7360**	**1.39**	**1.10**	**0.095**	**42.8**	**6.8**	**1.1**

Note: Fe, SiO2 and MgO are reported to characterize the chemistry of the limonite and as a guide to the suitability of the material for hydrometallurgical processing. They do not have economic value as recovered products.