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PNC Bank, National Association
Trade Service Operations
3rd Floor
500 First Avenue
Pittsburgh, PA 15219
Mail Stop: P7-PFSC-03-T

Telex: 866533
Swift: PNCCUS33
Answerback: Firstbank Pgh
Telephone: 1-800-682-4689

FIREPROOF
d/007/0019
Copy PAM



BENEFICIARY:
STATE OF UTAH
DIVISION OF OIL, GAS & MINING
SEE COMPLETE NAME AND ADDRESS BELOW
SALT LAKE CITY UT 84114-5801

APPLICANT:
ANDALEX RESOURCES INC.
P.O. BOX 902
PRICE UT 84501

IRREVOCABLE STANDBY LETTER OF CREDIT

OUR REFERENCE:
AMOUNT: USD \$91,161.00
ISSUE DATE: AUGUST 02, 2005
EXPIRY DATE: AUGUST 01, 2006
EXPIRY PLACE: OUR COUNTERS

BENEFICIARY'S COMPLETE NAME AND ADDRESS:
STATE OF UTAH
DIVISION OF OIL, GAS & MINING
ATTN: PAMELA GRUBAUGH-LITTIG
1504 WEST NORTH TEMPLE, SUITE 1210
PO BOX 145801
SALT LAKE CITY, UT 84114-5801

RE: PERMIT NO. C/007/019

ON BEHALF OF ANDALEX RESOURCES, INC. (THE "PERMITTEE"), WE HEREBY ESTABLISH OUR IRREVOCABLE LETTER OF CREDIT IN YOUR FAVOR, PAYABLE IN PART OR FULL TO THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING, AVAILABLE BY YOUR DRAFT(S) AT SIGHT DRAWN ON PNC BANK, NATIONAL ASSOCIATION IN AN AMOUNT NOT TO EXCEED USD91,161.00 (NINETY ONE THOUSAND ONE HUNDRED SIXTY ONE AND 00/100 UNITED STATES DOLLARS) ACCOMPANIED BY A STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE DIVISION OF OIL, GAS AND MINING ("DOGM") CERTIFYING THAT THE DRAWING IS PURSUANT TO R645-301-880-900, BECAUSE OF ONE OR MORE VIOLATIONS OF THE SURFACE MINING CONTROL AND RECLAMATION ACT, THE REGULATORY PROGRAM, THE PERMIT AND THE RECLAMATION PLAN.

THIS LETTER OF CREDIT WILL AUTOMATICALLY BE EXTENDED FOR PERIODS OF ONE YEAR FROM ANY SCHEDULED EXPIRATION DATE (AS ORIGINALLY SCHEDULED OR AUTOMATICALLY EXTENDED) UNLESS NINETY (90) DAYS PRIOR TO SUCH DATE WE NOTIFY YOU IN WRITING BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD.

UPON RECEIPT BY YOU OF SUCH NOTICE, YOU MAY DRAW ON US AT SIGHT FOR THE AMOUNT OF THIS LETTER OF CREDIT BEGINNING 30 DAYS OR LESS PRIOR TO THE THEN APPLICABLE EXPIRATION DATE, BY YOUR DRAFT AS DESCRIBED ABOVE ACCOMPANIED BY A STATEMENT SIGNED BY DOGM'S BOND APPROVING OFFICER CERTIFYING THAT THE AMOUNT OF THE DRAWING REPRESENTS FUNDS DUE DOGM BECAUSE THE PERMITTEE HAS FAILED TO REPLACE THIS LETTER OF CREDIT BY OTHER SUITABLE BOND PURSUANT TO R645-301-860.222 AND R645-301-870.

RECEIVED
AUG 03 2005

DIV. OF OIL, GAS & MINING

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WE CERTIFY THAT THE AMOUNT OF THE CREDIT HEREIN ESTABLISHED WILL NOT BE REDUCED FOR ANY REASON DURING THE PERIOD OF THIS INSTRUMENT WITHOUT THE WRITTEN CONSENT OF DOGM. WE WILL GIVE PROMPT NOTICE TO THE PERMITTEE AND TO DOGM'S BOND APPROVING OFFICER OF ANY NOTICE RECEIVED OR ACTION FIELD ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE BANK, OR ALLEGING ANY VIOLATIONS OF REGULATORY REQUIREMENTS WHICH COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANKS CHARTER OR LICENSE TO DO BUSINESS.

IN THE EVENT THE BANK BECOMES UNABLE TO FULFILL OUR OBLIGATIONS UNDER THIS LETTER OF CREDIT FOR ANY REASON, NOTICE SHALL BE GIVEN IMMEDIATELY TO THE PERMITTEE AND TO DOGM'S BOND APPROVING OFFICER.

THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE. PUBLICATION NO. 500.

A handwritten signature in cursive script that reads 'Kathleen J. Lewis'. The signature is written in black ink and is positioned above a horizontal line.

PNC BANK, NATIONAL ASSOCIATION
GLOBAL TRADE SERVICE OPERATIONS