

INITIATION REPORT

Company: America West Resources, Inc. (OTC BB: AWSR.OB)

Price: \$0.05 **Target Price:** \$1.15

Recommendation: Buy

Analyst: Clay Mahaffey, CFA

September 13, 2010

Summary: America West Resources, Inc is a fast growing Utah based underground coal operator. Sales are positioned to take off due to recently increased production capacity and \$290 million back log of orders including \$200 million to China. The Company plans to make very significant capital expenditures and substantially increase production capacity. They are targeting the booming China domestic power market for the bulk of this growth.

Investment Rationale:

- \$291 million order backlog (short and long term contract total) including \$200 million to China.
- Global Demand for coal growing. China and India are now massive net importers. Focused play on their local economies with highest growth in the world (>10%/yr).
- Global warming/Kyoto Protocol/green house gas issues re: burning coal subsiding.
- Supply and logistics constraints in major competing export region (Australia) create near term opportunity.
- Recent M&A activity in Asia validate tight regional supply/demand. Eight acquisitions by Indian, Chinese, Korean steel and power producers acquiring Australian coal reserves. Industry acquisitions (Peabody, Banpu) also observed.
- Extraordinary growth potential for AWSR (5x coal reserve increase) to acquire coal leases adjacent to existing mine and facilities. Topography blocks competitive action.
- Financial issues (loan delinquencies) due to recession and contract terms post the 2007 Chapter 11 Bankruptcy are fixable.
- A \$25 million capital budget (analyst estimate) could increase production capacity 13x over next 12-18 months.

Snapshot	
TICKER	AWSR
FISCAL	December 31
SECTOR	Energy/Coal
RECENT PRICE (9/13/10)	\$0.05
TARGET PRICE-12-18 Month	\$1.15
MARKET CAP \$mil	\$22
52 -WEEK HIGH	\$0.28
52-week low	\$0.06
Price/Fwd Op.Cash Flow	9.9
FORWARD PRICE/SALES	1.3
PRICE/BOOK VALUE (mrq)	NM
SHARES OUTSTANDING (08/16/10)	323.2 mil
FULLY DILUTED (8/16/10)	381.5 mil
FLOAT	50%
AVERAGE DAILY VOLUME (3mo)	27,196
INSIDER SHAREHOLDERS %	9%
CEO	Dan Baker

- Exports and logistics plan established and expected to be operational within 12 months.
- Experienced and capable management team is in place. Very strong operational expertise. Management has raised institutional funds for this company and is confident additional funds are available on acceptable terms.
- Highly levered to operations and lease acquisitions due to a single mine and favorable topography and geology.
- Grossly undervalued at current prices based on comparison to the peer group, discounted cash flow projections and key indicators (\$/ton coal reserves). Potential 10 bagger in next 12-18 months
- Sales relatively immune to low prices of competing utility fuel (natural gas) and resulting switching due to contracts and exports.

- State of Utah is well positioned as US exporter to Far East due to inherent coal characteristics (BTU value, low ash and sulfur content), closest mine to port of embarkation and existing transportation infrastructure (rail to port and port facilities).

Assumed Business Strategy

1. Expand Capacity 13x Within 12-18 Months

Step 1- Expand continuous mining capacity from 30,000 t/mo to 90,000 t/mo by adding two new sections and equipment. Complete expansion by January 1, 2011 at cost of \$4-5 million.

Step 2-Install longwall mining equipment to increase capacity to 400,000 t/mo by Q4'11 at cost of \$20 million.

2. Reduce Operating Costs 50% within 12-18 Months

- Start initial production mining (lower cost than development mining)
- Expanded sales reduces costs since spread over greater volume
- Longwall mining is more efficient and cost effective

3. Secure Long-term Contracts

- Multi- year contracts in place facilitate financing and growth
- Established foothold in China- easy to expand volume
- Capture economies of scale on reduced transportation costs to increase margins

4. Develop Export Logistics Plan

- Rail costs and facilities
- Port lease and facilities

5. Consider Blending Captive Coal with Lower Rank (BTU) Coal to Increase Margins

- AWSR coal is 12,000 BTU/lb vs. China utilities capable of using 10,000 BTU: Additional BTU's not valued
- Purchase Powder River Basin (50% lower cost and BTU, blend and sell at contract price)
- Arch Coal Inc. public statements infer they will pursue this approach

Near-term Catalysts

- Market awareness of Company and prospects through investor relations, press coverage, presentations
- Quarter over Quarter of improving sales/production/margins from fulfilling previously announced contracts
- Announcement of expanded production to meet existing contracts
- Three miles into the mine development placing the company near "production coal" instead of "development coal"
- Announcement of firm order on longwall equipment on acceptable terms

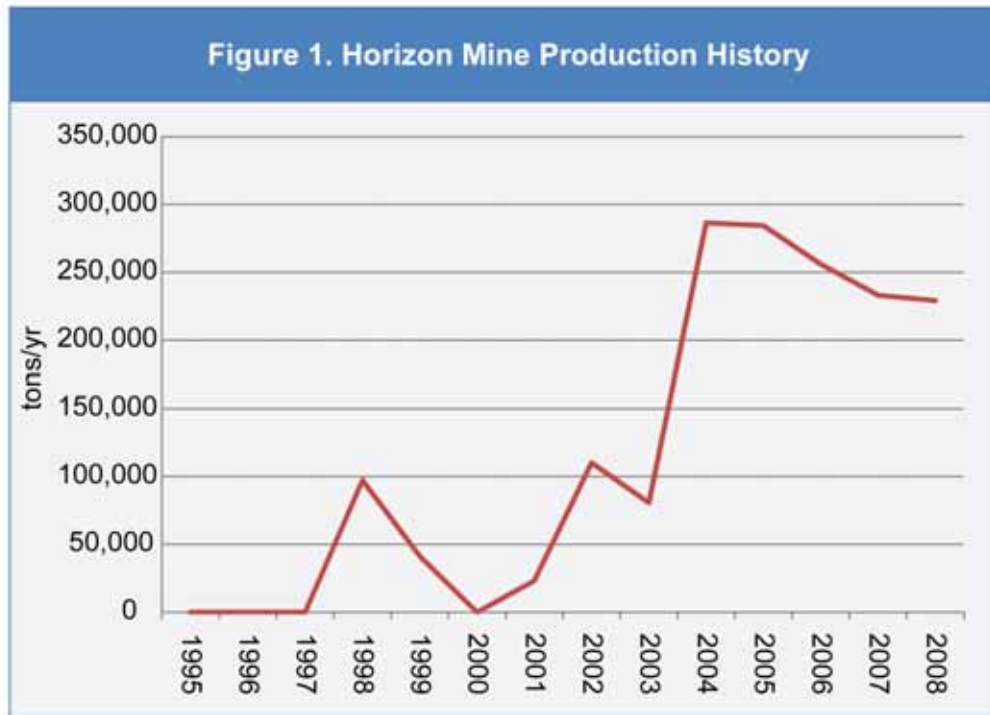
Company History:

According to the MSHA, the Horizon Mine had four operators between 1992 and 2003 when it was acquired by Hidden Splendor. The production history has been as shown on the facing page.

America West Resources, Inc. (formerly Reddi Brake) acquired Hidden Splendor Resources, Inc on August 10, 2007 through a reverse merger procedure. Hidden Splendor owns the rights to the Horizon Mine and remained a 100% owned subsidiary of America West. Hidden Splendor then filed for Chapter 11 bankruptcy on October 15, 2007 and continued operations as a debtor in possession with the intent to restructure the Company. Two strategic investors supported the Company through 2008 and since. Based on the operating cash flow of the mine in 2008, and the proved reserves in the mine, the Company was able to devise with a viable plan to exit the bankruptcy of Hidden Splendor. The Plan involved the following key items:

- Up-front cash payments totaling \$2.75 million (November and December 2008)
- Commitment from the Company to provide an additional \$2 million of equipment to expand operations
- Secure additional lease acreage adjacent to the mine
- Ongoing payments to creditors out of cash flow over a 3-7 year time period

This was accepted by the creditor committees and the bankruptcy court and Hidden Splendor emerged from Chapter 11 on December 19, 2008. The secured creditors will receive 100% of their money and the general unsecured between 50 and 70% of their debt.



None of the creditors have declared their loans to be in default. In the past the key investors have periodically made loans as needed to shore up cash problems. I believe this will continue for reasons stated further in this report.

Table 1 Hidden Splendor Chapter 11 Plan Settlement and Current Status

	Debt	Total Payments	Initial Payment, 12/19/08	Ongoing Payments		Term, mo	Status 6/30/2010	Balance 9/21/2010 (3)
				\$/mo	\$/Q			
Secured Lender	5,957,411	5,957,411		94,879	284,637	78	(1)	4,400,000
General Unsecured Creditors	3,400,000	2,380,000	340,000		190,000	48	(2)	900,000
Secured Creditor (Profit Sharing Plan)	500,000	500,000	25,000	38,475	115,425	48	(2)	475,000
Priority Claims (taxes)	1,800,000	1,800,000	180,000		162,156	46	(2)	900,000
Total	11,657,411	10,637,411	545,000	133,354	752,218			6,675,000

(1) Default was triggered by delinquencies on other loans

(2) Delinquent as of 6/30/2010

(3) Company communication

Operations in early 2009 were thwarted by operational and equipment problems. The Company opened up a new section of the mine and planned to produce as two sections. They encountered a water flow and a delay in getting the first set of additional equipment (about six month delay) and due to financing difficulties were unable to purchase the second and third set. However the third quarter of 2009 showed the potential when good production and customer orders aligned with \$4.4 million revenues and \$1.9 million operating cash flow for just the Q3. Consequently productivity was low and cash flow restricted for the 1st half of 2009. In the 2nd Half of 2009 the economic (after the short term coal contracts had been fulfilled) slowdown was in full effect and coal inventories at utility customers were high so orders were delayed. By the end of 2009 they were delinquent in payments to the creditors under the Chapter 11 Plan. Since emerging from Bankruptcy management has made commitments to developing the mine for the long term and to maximize the recovery of the reserves. This has affected revenues and earnings negatively as “development” produces coal as a byproduct in contrast to “production” that has the purpose to produce coal. We expect when the company moves to production coal in late 2010 that production of coal will increase and production cost will decrease.

Throughout 2009 the Company made up their cash shortfall through investor loans and sale of stock that totaled \$6.2 million (net).

The investors have stuck with the Company because the underlying story is sound and the underlying assets are valuable. There is a lot of coal in the existing mine and excellent expansion opportunities exist. According to Company records their reserve potential is:

**Table 2. Hidden Splendor Resources-
Proved and Contingent Coal Reserves**

	Million tons	Total, million tons	Basis
Proved coal reserves, 12/31/08		5.2	
Acquired 3/31/2009	6.9	12.1	3rd Party Report
Increase Recovery (80% vs. 55%)	6.9	19	Management Estimate
Available Adjacent Acreage	100	119	per 12/31/2009 10-K

6/30/2010 Q2 10 Results:

Coal sales were up 30% to \$3.4 million. Production costs were up 15% due to an intermittent idling of the mine due to lack of coal orders and general and admin costs up 25%. Net income was a \$4.4 million loss primarily due to a \$3.0 million write off (non-cash) of a loan

due to GAAP accounting treatment. The fair market value of the shares issued along with the loan exceeded the original loan so was written off. Shares outstanding increased 55% due to shares being issued as an inducement to lenders to support the company through the period where the company did not have coal orders (October 2009-May 2010).

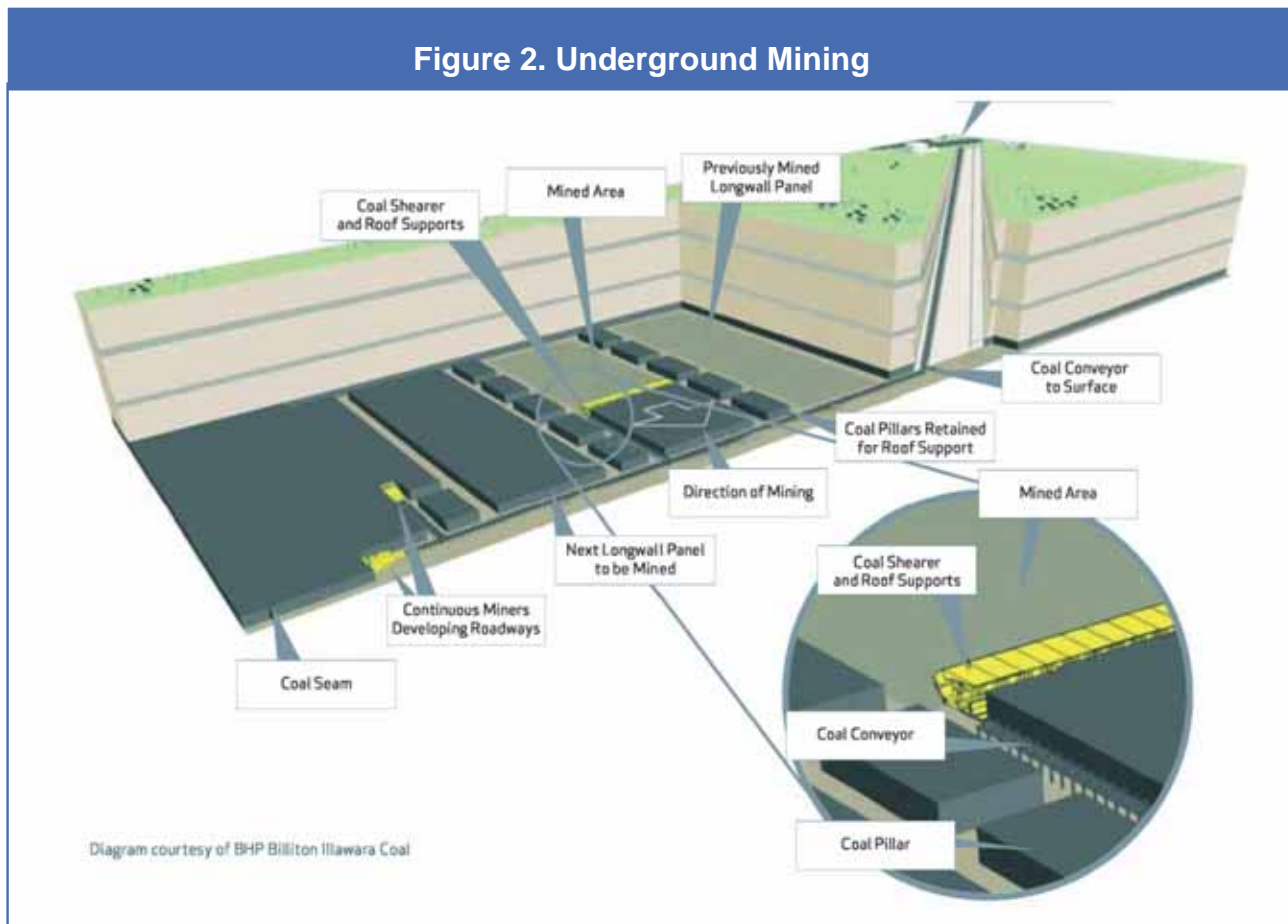
For the 6 month period operating cash flow was a positive \$116k vs. \$303k in '09. The major item was a \$592k inventory build. This seems reasonable in a period of increasing sales. Investments totaled \$1.8 million vs. \$5.1 million in '09. Cash from financing totaled \$1.7 million net vs. \$4.5 million prior year.

Coal Industry Overview

Coal Mining Methods

Coal is mined by two methods – surface or ‘opencast’ mining and underground. Surface mining is only preferred when the coal seam is relatively close to the surface. The coal is accessed by removing the over burden (dirt and rock). The coal is removed by dynamiting sections, removing the coal with draglines and large trucks. The process is continued as the seam

Figure 2. Underground Mining



is exploited creating large open pits. In the US 67% of coal is mined in this manner mostly in the western US such as the prolific Powder River Basin in Wyoming and Montana. This method can recover as much as 90% of the coal reserves.

Underground mining is used where surface mining is not practical. There are two main methods of underground mining: room-and-pillar and longwall mining. The historical method developed over time is the room and pillar in which a network of channels is cut, and the coal removed, creating 'rooms'. The remaining coal not removed exists as pillars that hold up the roof. At this point perhaps 40% of the coal is removed. Once the room is complete the pillars are removed starting at the back of the mine and the roof is allowed to collapse and then the mine is abandoned. This method is known as retreat mining which can recover another 5-10% of the coal.

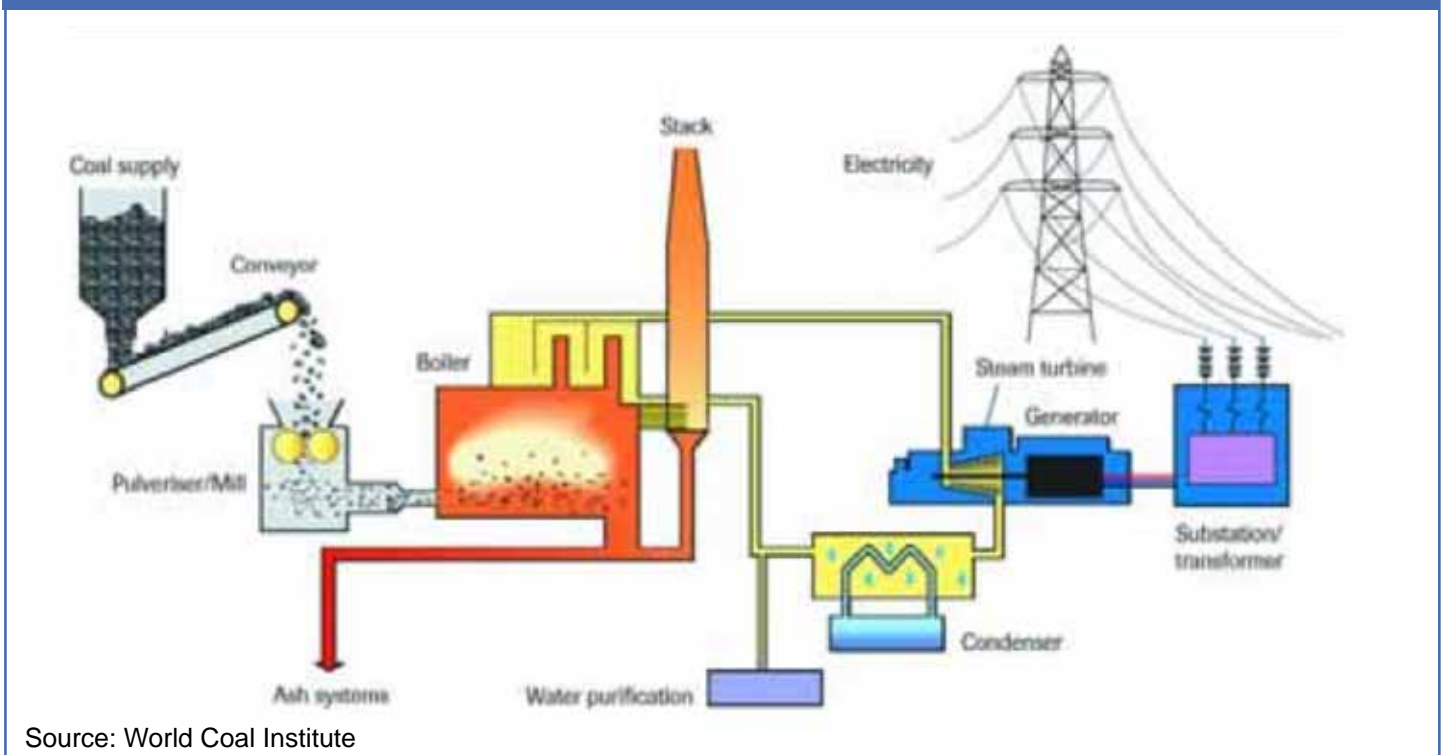
Longwall mining involves the full extraction of coal from a section of the seam or 'face' using mechanical shearers. First a tunnel is dug defining the periphery of the section of coal to be removed using similar methods and equipment as room and pillar mining. The mining equipment is comprised of three elements: shearer, conveyor and supports (shields). The mining equipment is comprised of three elements: shearer, conveyor and supports. They are oriented along the face of the seam (this can be 500-2,000 feet wide). The shearers remove the coal which drops into the conveyor. The support is a large canopy that supports the roof. The support is connected to the conveyor and shearer with a series of hydraulically powered pistons that enables the combined machinery to advance with each cut. As the machinery advances the roof section immediately adjacent collapses in a controlled manner. After the cut is made (typically 2-3 feet) each section of the equipment advances to close the gap from the coal seam and the process is repeated down the face. The depth of the section being mined is 900 -1,200 feet can be 1-2 miles. Over 75% of the coal in the deposit can be removed using this technology.

Comparison of Underground Mining Techniques: Room and pillar mining has the advantage of lower capital cost (\$5 million vs. up to \$50 million) and revenue is generated more quickly. Longwall mining has a higher recovery rate (75% vs. 50-60%), and lower operating costs higher productivity and is safer. Both methods can be employed in the same mine.

Applications. Demand for coal surged with the invention of the steam engine by James Watt in 1769 which ushered in the Industrial Revolution. Very little coal is currently burned openly of course and the major uses of coal are as follows:

Electricity Generation. Coal is pulverized to a fine powder by the power plant and fed to a boiler that generates steam which turns a turbine that generates high voltage electricity.

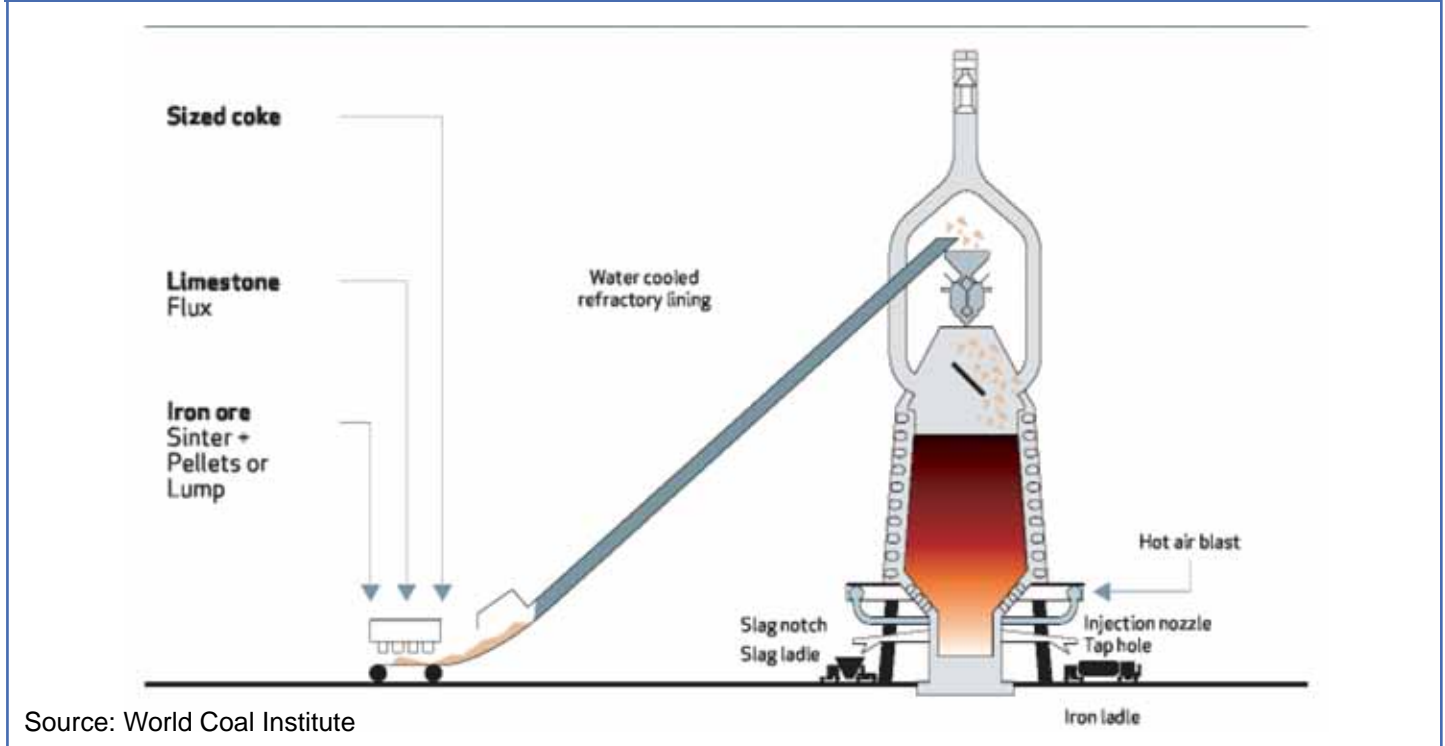
Figure 3. Converting Coal To Electricity



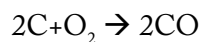
Steel Production. Coal is an essential material used in making steel both directly (as a raw material for the Basic Oxygen Furnace method) and indirectly (used to produce the electricity used in the electron arc furnace method).

Basic Oxygen Furnace Method. Higher rank (BTU) coal is converted to coke by heating in the absence of oxygen. The end product is more pure carbon and is lighter and more porous than coal. The coke, iron ore and slag (limestone) are added to the blast furnace and heated.

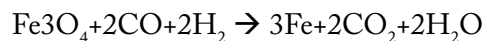
Figure 4. Coal Use in Steel Production



When heated the coke reacts to form carbon monoxide in the furnace:



The carbon monoxide then reacts with the iron ore to produce crude, high carbon iron (pig iron).



The pig iron and scrap steel are then loaded into the Basic Oxygen Furnace and pure oxygen is injected to convert the iron to steel. Sixty-four percent of the world's steel is produced in this method. About 0.6 ton of coal is consumed per ton of steel produced.

Electron Arc Furnace. Steel is a 100% recyclable material and heating scrap steel to high temperature purifies the material and is then reused in the normal manner. The large amounts of electricity required for the heating are often delivered by coal burning power plants so this is an indirect consumption of coal.

Fuel. Coal can be converted to liquid fuels that are suitable for transportation and other uses. Two methods are employed: the direct method (Fischer-Tropsch) as commercialized by Sasol (the large South African chemical company) and indirectly by burning in situ (underground) and then converting that gas to liquid hydrocarbon products. These are referred to generically as Coal to Liquids (CTL) technologies.

Environmental Issues. Burning of coal results in generation of pollutants such as oxides of sulfur (SO_x) and nitrogen (NO_x) similar to burning of gasoline and diesel fuels. These pollutants contribute to smog and acid rain. Coal effluent also contains particulates (as does diesel fuel). All of these are detrimental to the environment and regulations have been

adopted around the world to restrict these emissions. In addition, coal burning generates carbon dioxide (CO₂) that is a green house gas (GHG). GHG has been linked to global warming and climate change.

Industry has developed a number of technologies to address these concerns:

Coal Selection and Pre-treatment. Clearly low sulfur coal (as is found in Utah) is preferable to high sulfur as the product of choice. Removing the non-carbon constituents of coal (sulfur and nitrogen compounds, aromatic hydrocarbons) before burning is a more elegant solution than removing them from the flue gas after burning. The treatment solutions are in development and include the items as noted in Table 3 below:

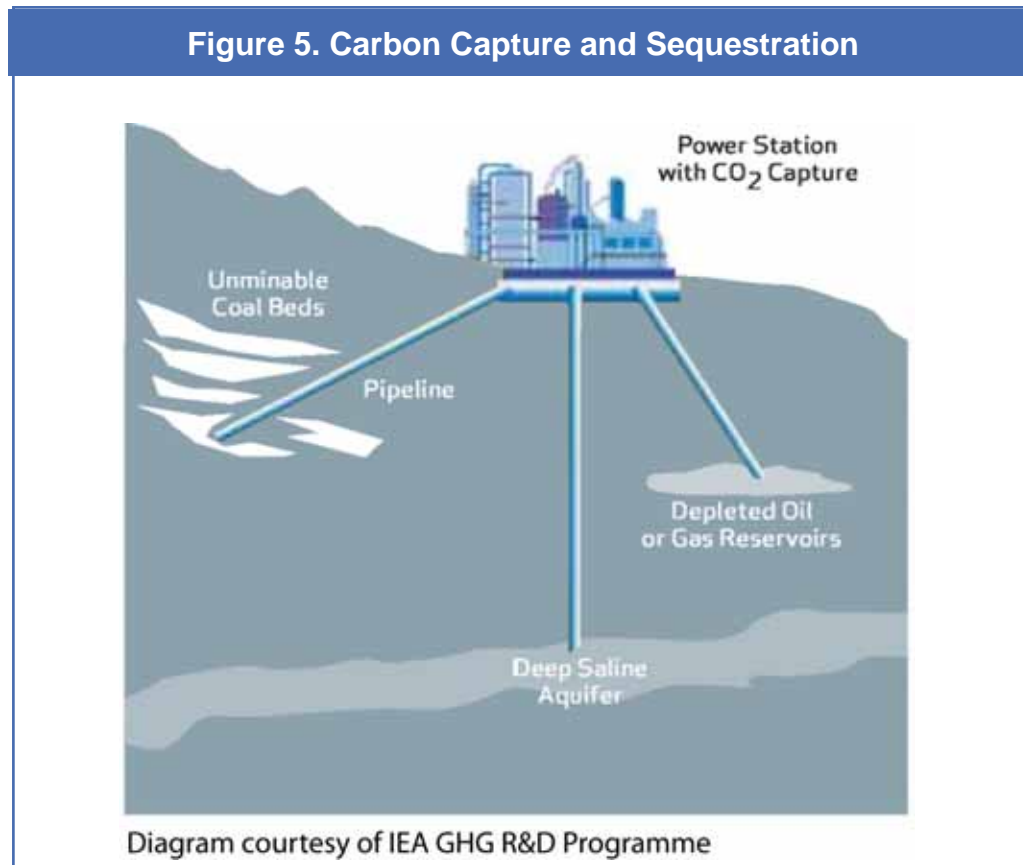
Process Improvements. The thermal efficiency of the power plant design is a key factor in reducing both pollutants and GHG. According to the World Coal Institute typical thermal efficiencies are as follows:

China	27%
Global Average	30%
OECD Average	38%
Improved Technology	43-50%

These process improvements reduce pollution and GHG and reduce costs as well. A detailed look at the ability to reduce CO₂ emissions is summarized below:

Table 3. Coal Quality Improvement Developments

Technique	% CO ₂ Reduction, up to:	Description	Status
Coal Upgrading	5%	Wash and dry coal at power plant	Widespread use
Efficiency Improvements-existing plant	22%	Use of higher pressure and temperature steam turbines (super critical and ultra supercritical process) increase thermal efficiency to 43-45%	400 Supercritical plants operating globally
Advanced Technology	25%	Integrated Gasification Combined Cycle (IGCC) and Pressurized Fluidized Bed Combustion (PFBC)	160 IGCC plants operating globally. PFBC commercial in US
Carbon Capture and Storage (CCS)	99%	CO ₂ generated is pumped into underground cavities and stored for indefinite periods	High purity CO ₂ injection is commercial in oil and gas operations (Enhanced Oil Recovery). Low purity CO ₂ from power plants under development



Source: World Coal Institute

The potential sources of CO₂ storage are estimated as follows:

Table 4. Potential Sources of CO₂ Storage

Source	Potential Storage Volume, Giga (10 ¹²)tons
Depleted Oil and Gas Reservoirs	126
Depleted Natural Gas Reservoirs	800
Unmined Coal Seams	150
Saline Aquifers	400-10,000
Total	1,476-11,476

Source: World Coal Institute

To put this in perspective the US generated 1.8 billion (0.018 giga tons) of CO₂ from coal fired power plants in 1999 (US EIA “Carbon Dioxide Emissions from Generation of Electric Power in the US, 2000) which means the global

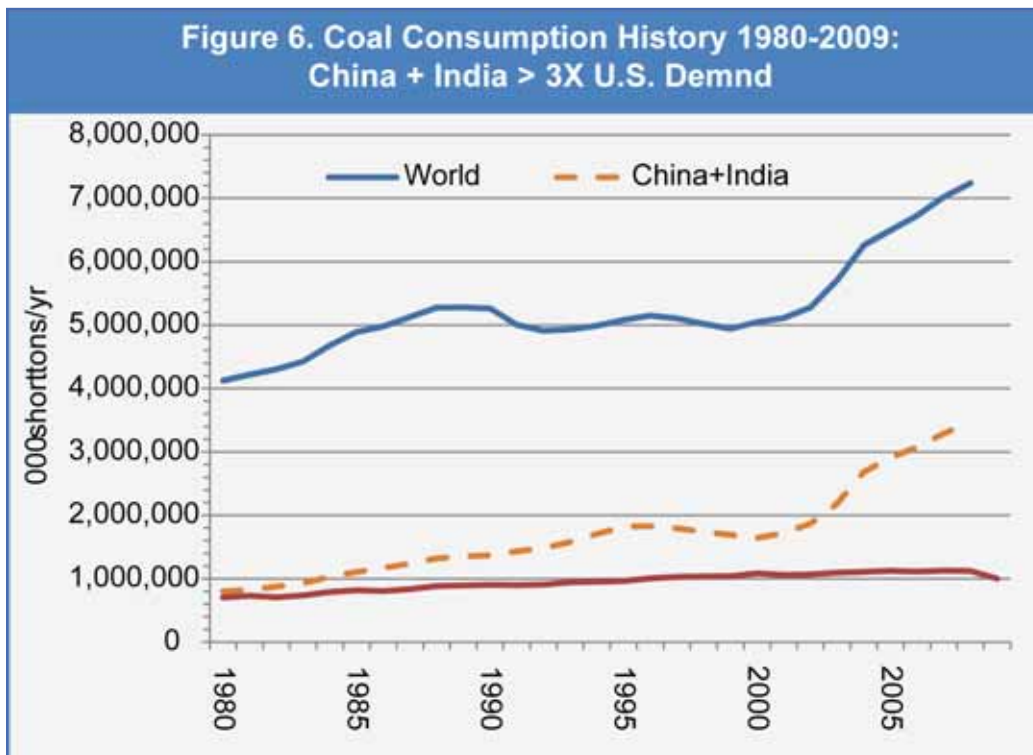
storage capacity is equal to one million years of US CO₂ generation.

Particulates. Particulates entrained in the flue gas can be collected by using fabric filters called ‘bag houses’. A more sophisticated technology is an electrostatic precipitator (ESP). This is a device where the flue gas is passed between two electrically charged plates and the particulates are attracted to one of them. Consequently the treated gas stream released to the atmosphere has up to 99% less particulates than would otherwise be the case. The collected particulates are recovered and used in minor applications such as cement additives.

Acid Rain. The Sox impurities can reach in the atmosphere to produce sulfuric acid which harms the environment and health of people downwind of the power plants. The primary solution here is use of low sulfur coal as is found in Utah as opposed to high sulfur coal. In addition a process

called hydro desulfurization (HDS) can be used. NO_x emissions are reduced using two technologies: 1) using a burner designed to reduce NO_x emissions in the combustion facility and 2) Selective Catalytic Reduction (SCR) treatment of the flue gas. SCR can reduce NO_x emissions by 80-90%.

Conclusion: Significant progress is being made to reduce any possible harmful effects from using coal as an efficient and cost effective source of power for many years to come.

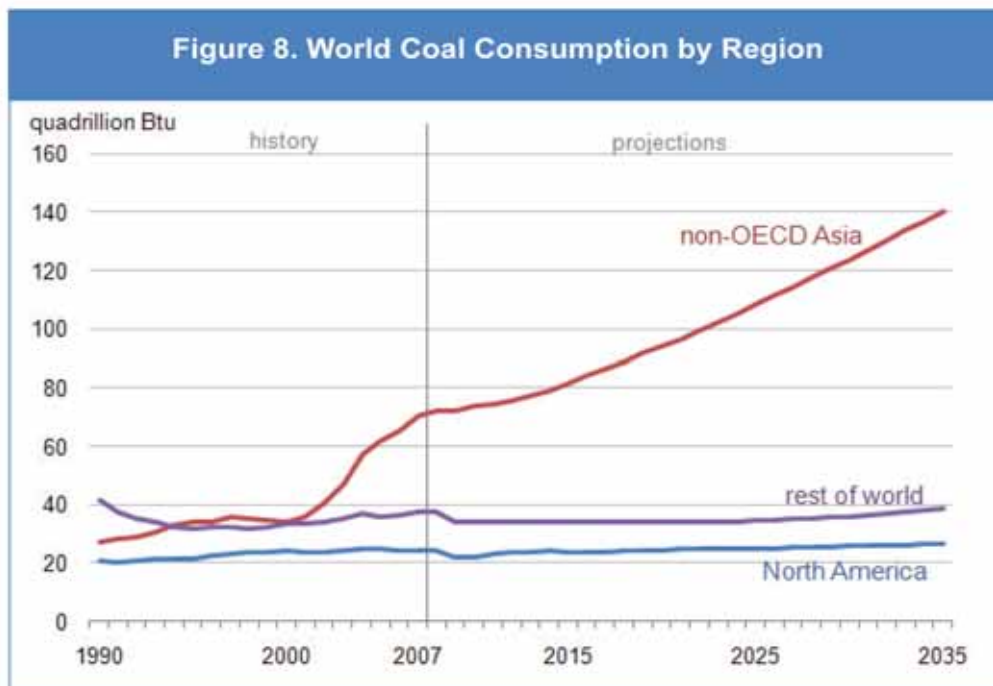


Source: US EIA Energy Statistics

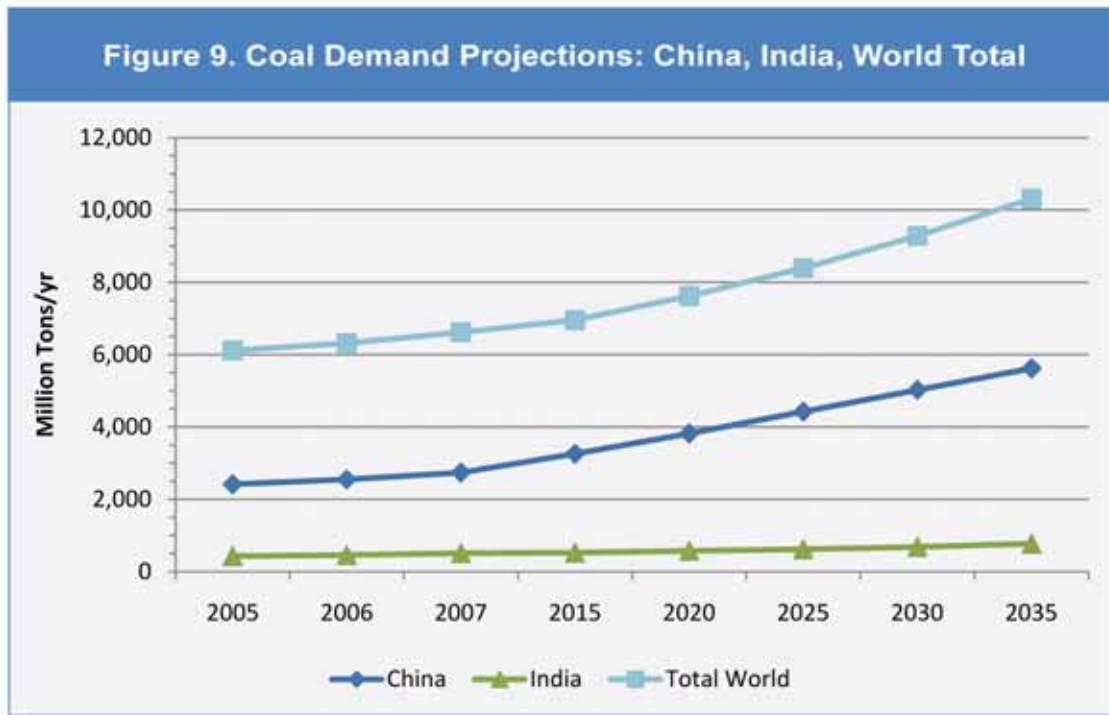
Global Demand. Electric power is in high demand in all emerging countries as their economies grow rapidly and consumers demand goods run on electricity as well as heating and cooling of residential and commercial buildings. Industrial users are also major consumers of power. In addition China and India rely on coal fired power plants to a greater extent than does the US. As shown in Figure 6, coal consumption in China and India is now about 3X that of the US.

In addition, these two countries provide almost all of the growth in global coal consumption over the last thirty years.

The International Energy Agency (IEA) projects coal demand over the next twenty five years as shown in Figure x below. Non-OECD (Organization for Economic Cooperation and Development) countries include China, India and others and are clearly the source of global coal growth.



Similarly, the US Energy Information Administration (EIA) projects that China and India will consume about 60% of the world's coal within twenty five years.



US Coal Mining Overview. US coal production is just over one billion tons/yr and 30% of that is from underground mines. All coal mining in Utah is underground, and mine productivity is about 4X the US average.

Table 7. US Coal Mining Production By Type of Operation

Type	Production, 000 short ton/yr	# Mines	Productivity, 000 t/yr/mine
Underground	357,079	583	612
Surface	813,822	852	955
Total	1,171,809	1,435	817

Table 8. US Underground Coal Mine Production, 2008

State/Region	Production, 000 short ton/yr	# Mines	Productivity, 000 t/yr/mine
Utah	24,365	9	2,707
Appalachia	232,512	533	436
US Total	357,079	583	612

US Underground Coal Production By Mining Method, 2008, 000 t/yr

State/Region	Continuous	Conventional/Other	Longwall	Total
Utah	229	0	24,136	24,365
Appalachia	119,267	3,156	110,088	232,511
US Total	174,685	3,161	179,233	357,079

Source: US EIA Annual Report, Coal 2008

Below is a chart showing how older mines in Utah have been shutdown but production increased steadily through the 1970s.

Management believes the reserves of Utah mines are somewhat over stated for various reasons. For example Arch Coal states that their Dugout Canyon Mine will be depleted by mid 2012 and their Skyline Mine will be depleted by mid 2011 (ACI 10-K, 12/31/2009). Others are based on personal knowledge of the mines.

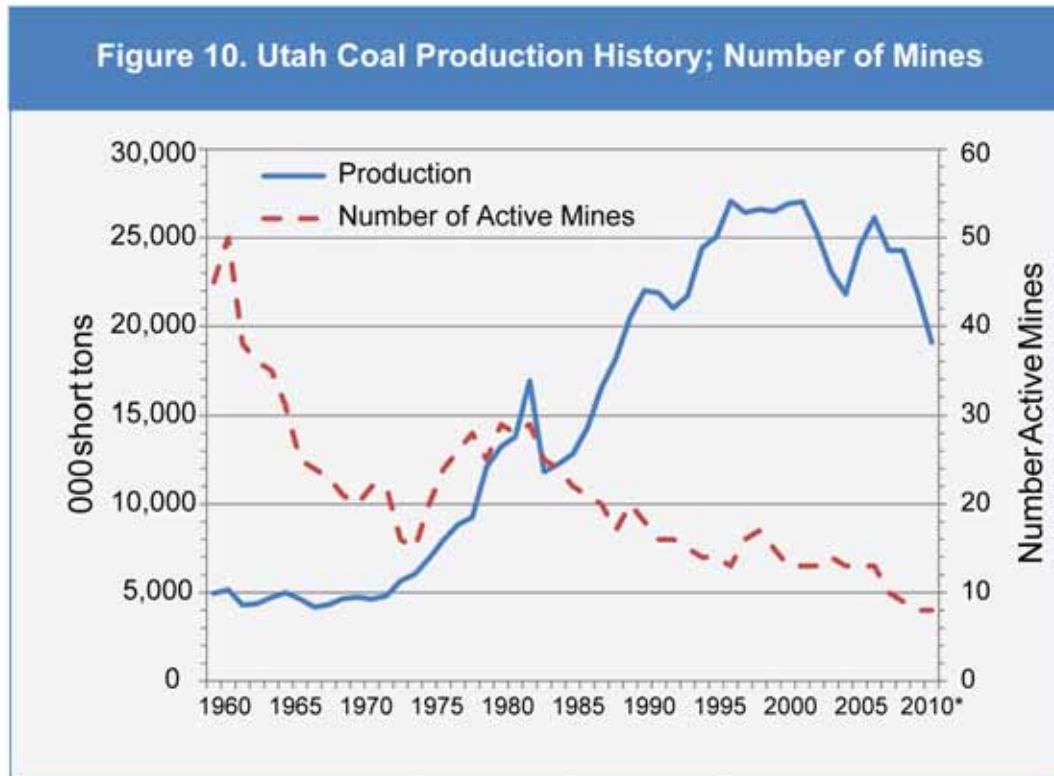


Table 9. Utah Coal Reserves

Total Reserves, 000 t, 2009

Reserves by Operator	# Mines	Utah Geologic Society	AWSR Management Estimate
America West	1	13,800	20,000
Arch Coal	3	105,200	77,000
Murray Energy	1	14,000	7,000
CONSOL	1	16,900	8,000
Energy West	1	26,600	12,000
CW Mining/Rhino	1	0	5,000
Total	8	176,500	129,000

Based on the estimated depletion rates production and remaining reserves can be estimated as shown below. The conclusion is that state-wide production is on track to decline by 50% within three years unless additional leases are secured and developed which is exactly the plan for AWSR.

Table 10. Utah Mine Production Estimates

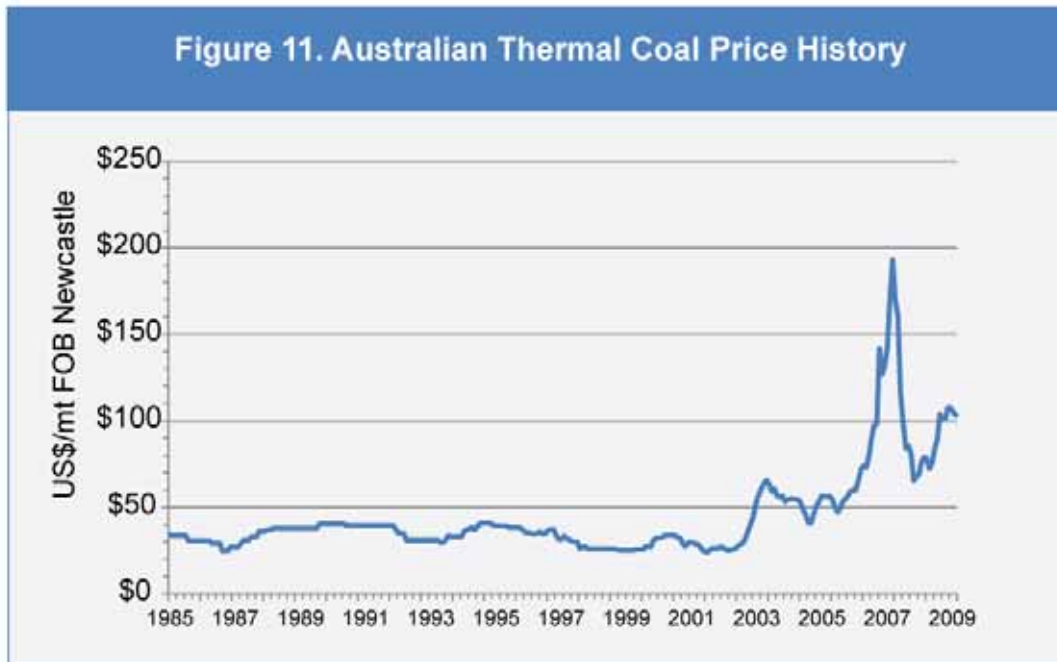
Production Estimates (1)	2009	2010	2011	2012	2013	2013, % 2009
America West	250	379	400	1,080	1,080	432%
Arch Coal	12,949	12,300	11,500	7,000	6,600	51%
Murray Energy	3,063	2,600	2,600	1,800	0	0%
CONSOL	1,238	1,100	1,100	1,100	1,100	89%
Energy West	3,833	2,800	2,800	2,800	2,800	73%
CW Mining/Rhino	651	500	500	500	500	77%
Total	21,983	19,679	18,900	14,280	12,080	55%

Remaining Reserves (2)	2009	2010	2011	2012	2013	2013, % 2009
America West	20,000	19,621	19,221	18,141	17,061	85%
Arch Coal	77,000	64,700	53,200	46,200	39,600	51%
Murray Energy	7,000	4,400	1,800	0	0	0%
CONSOL	8,000	6,900	5,800	4,700	3,600	45%
Energy West	12,000	9,200	6,400	3,600	800	7%
CW Mining/Rhino	5,000	4,500	4,000	3,500	3,000	60%
Total	129,000	109,321	90,421	76,141	64,061	50%

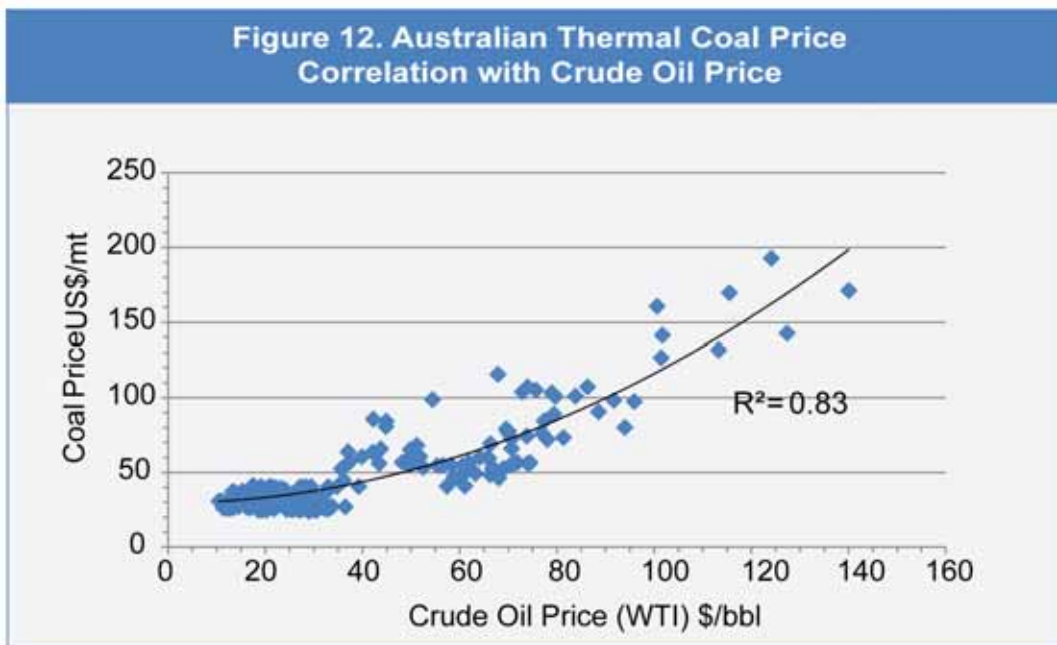
(1) AWSR Management and Venture Research LLC

(2) Assume no additional leases obtained by any operator

Global Pricing. Coal is a widely traded commodity and seaborne exports comprise a very significant industry. The major exporting country is Australia. The major exporting country is Australia and their port in Newcastle is the standard for price quotations and market activity including futures contracts. Figure 11 below shows after years of little movement there was a substantial price spike in 2007-2008. Figure 12 shows the coal price was highly correlated to crude oil.



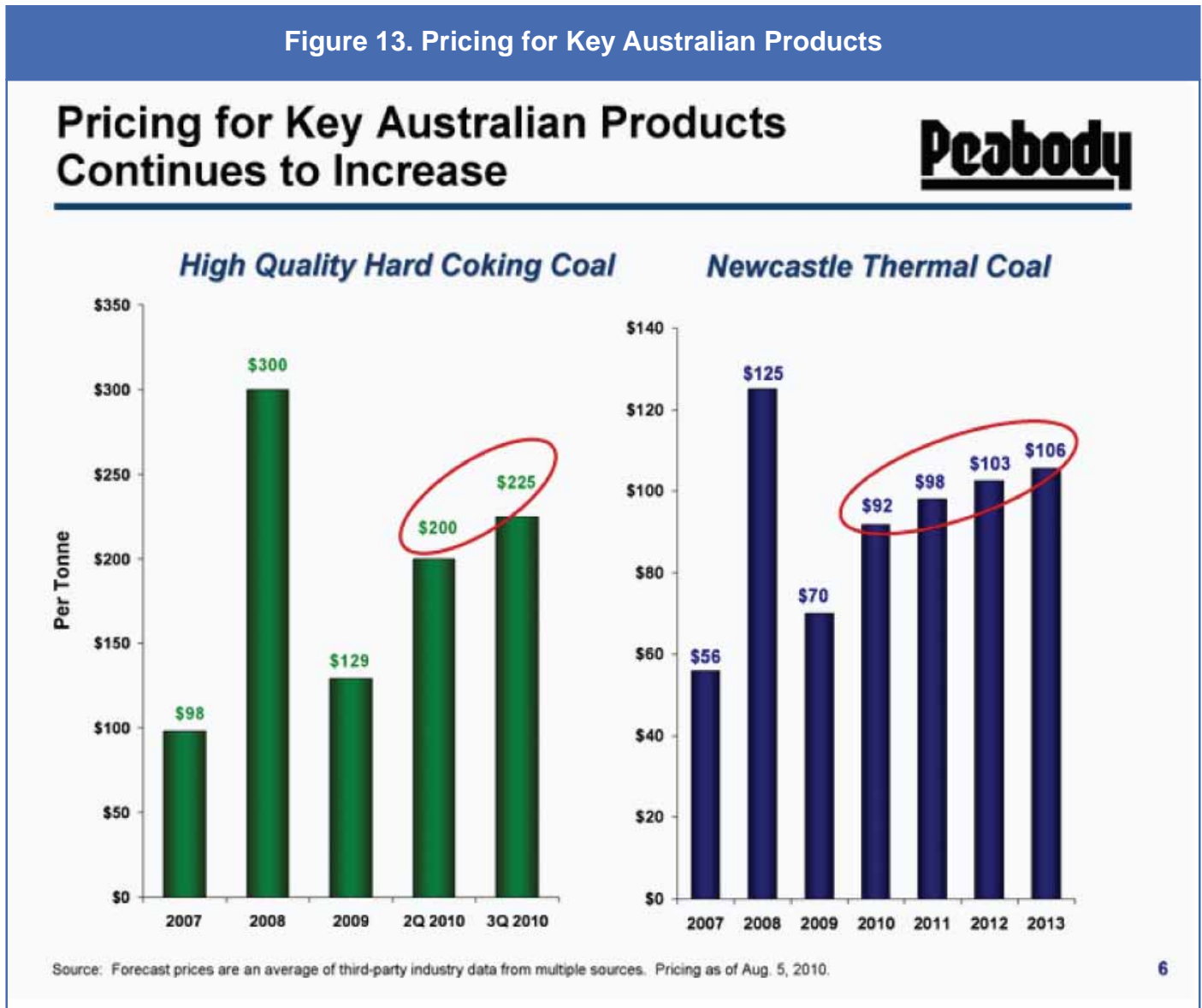
Source: International Monetary Fund



Source: International Monetary Fund

Although prices have pulled back the point here is that substantial moves are possible and reflect the fundamental supply/demand of the market. As confirmation of these favorable market conditions, Peabody Coal (NYSE:BTU) have projected prices will remain near the \$100/t level for several years. See Figure 13.

Figure 13. Pricing for Key Australian Products

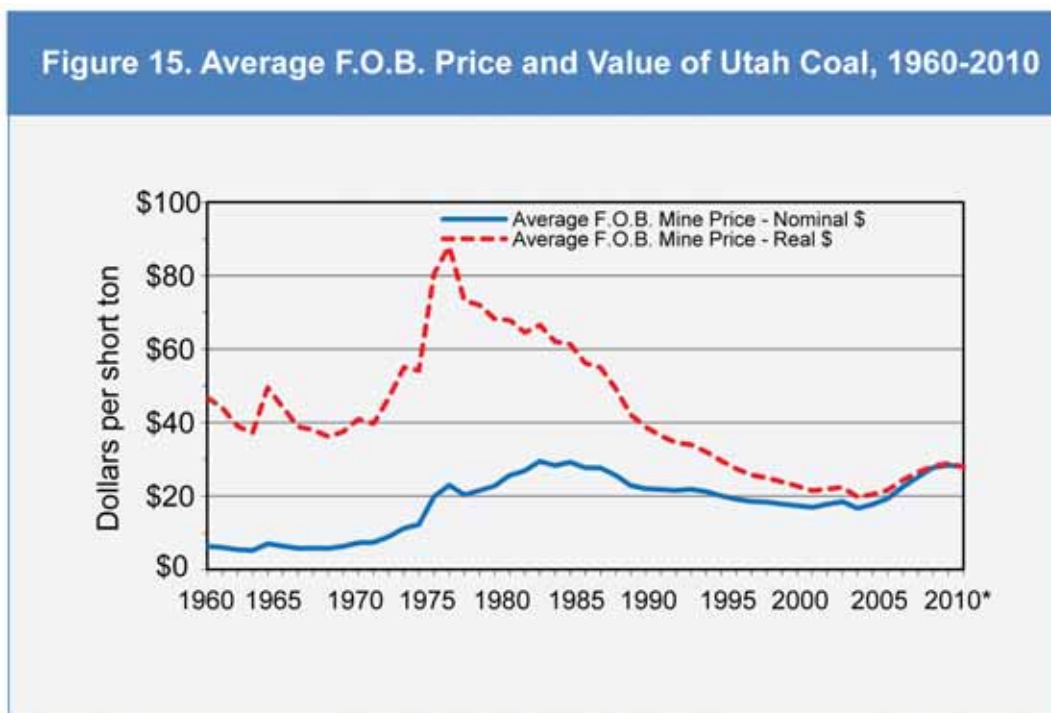


Source: Peabody Coal, 2010

As a global market US prices have also been moving quickly lately and are up about 100% over the last six years, see figure 14 below.

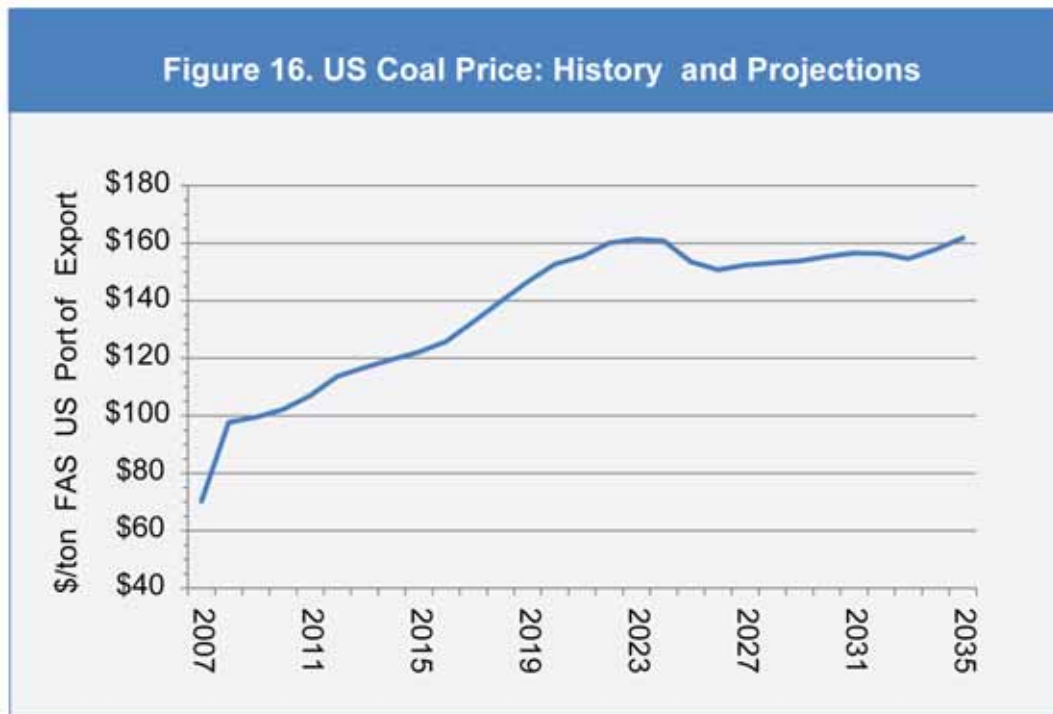


Prices in Utah have generally moved up lately as well. However, they are nowhere near the all time highs seen in the early 1970s when prices were again determined by market fundamentals and the price of crude oil. Source: Utah Geologic Society.



Source: US Geological Survey

The US EIA projects very healthy export prices for US coal over the next twenty five years.



Source: US EIA

Final confirmation of the long term favorable fundamentals for coal is the rush of M&A activity this last August. Seven deals were announced totaling over \$6.2 billion involving acquisitions by utilities, steel producers and other coal companies.

2010

- August 5: Whitehaven Coal <WHC.AX> says it is in talks with third parties on potential deals, sending its shares up 10 percent. It did not disclose who it was talking to or whether they were discussing a takeover, buying stakes in the company or stakes in its mines.
- August 4: Gloucester Coal <GCL.AX> agrees to buy the Middlemount coal assets in Queensland state from its main shareholder, Hong Kong-based Noble Group <NOBG.SI> for \$400 million in cash and shares.
- August 4: Aston Resources delays \$367 million initial public offering after being approached by an investor looking to take a roughly 5 percent stake, alongside cornerstone investors Noble Group and Japan's Itochu <8001.T>.
- August 3: India's Adani Enterprises <ADEL.BO> agrees to buy the Galilee coal project from Linc Energy <LNC.AX> in a cash and royalties deal worth \$2.7 billion.
- July 5: Thailand's top coal producer Banpu PCL <BANP.BK> announces it agrees to buy Centennial Coal Co Ltd <CEY.AX> for \$2 billion at a steep premium. The deal was Thailand's biggest overseas acquisition.
- July 5: A consortium led by Korea Electric Power Corp <KEPCO> acquires five Australian coal fields worth a total of A\$580 million from Anglo American Plc <AAL.L>.
- June 24: Riversdale Mining <RIV.AX> says it will sell as 40 percent stake in its Zambeze coal project in Mozambique to China's Wuhan Iron and Steel Corp <600005.SS> for \$800 million.

Valuation. Given the wide range of possible outcomes for AWSR over the next few years it is best to create a set of alternative scenarios to better understand the Company potential. Each Scenario can then be evaluated by the standard metrics: Peer Group Comparison, Key Indicator of Value (\$/t of reserves) and Discounted Cash Flow (DCF) Projections. Next an assumed probability of that scenario developing is assigned to each case. Multiplying the average valuation of each case times the probability of occurrence gives a weighted average valuation result. This can be done for the current fair market value and also for the future Price Target.

The first scenario (Case A) is that Management expands the mine to three sections and operates it using lower cost/less efficient continuous mining equipment. The second (Case B) is that additional acreage is acquired, longwall mining equipment is purchased and capacity is expanded to 4.8 million tons/yr. Most of the output will be exported. Case C assumes the capital investment and capacity of Case B but in addition the Company is able to organize or facilitate an export operation that blends lower BTU coal with their higher BTU Utah coal. The reason this is attractive is Australian thermal coal is only 10,900 BTU/lb and Utah coal is about 12,000 BTU but customers in Asia will not pay more for the additional BTU. Arch Coal has stated that they would like to export their Powder River Basin (PRB) coal to Asia. Since the PRB is typically 8,500 BTU/lb, they must be planning to blend this coal with higher rank coal from their mines in Utah or elsewhere. The Blending Scenario and Economics are discussed in Appendix Table 1.

Table 11. Valuation Scenarios And Key Assumptions

Case	A	B	C
Annual Capacity, mil tons	1.1	4.8	7.3
Capex '10-'11	4	24	24
2011 Domestic Sales Price, \$/t FOB UT	\$46.4	\$46.4	\$46.4
2011 Export Sales Price, \$/t FOB UT	\$51.6	\$51.6	\$51.6
Far East Export Sales, mil tons	0.0	4.0	7.3
Export Sales Blended with PRB	N/A	No	Yes
Ongoing Capex, \$mil/yr	0	12	12

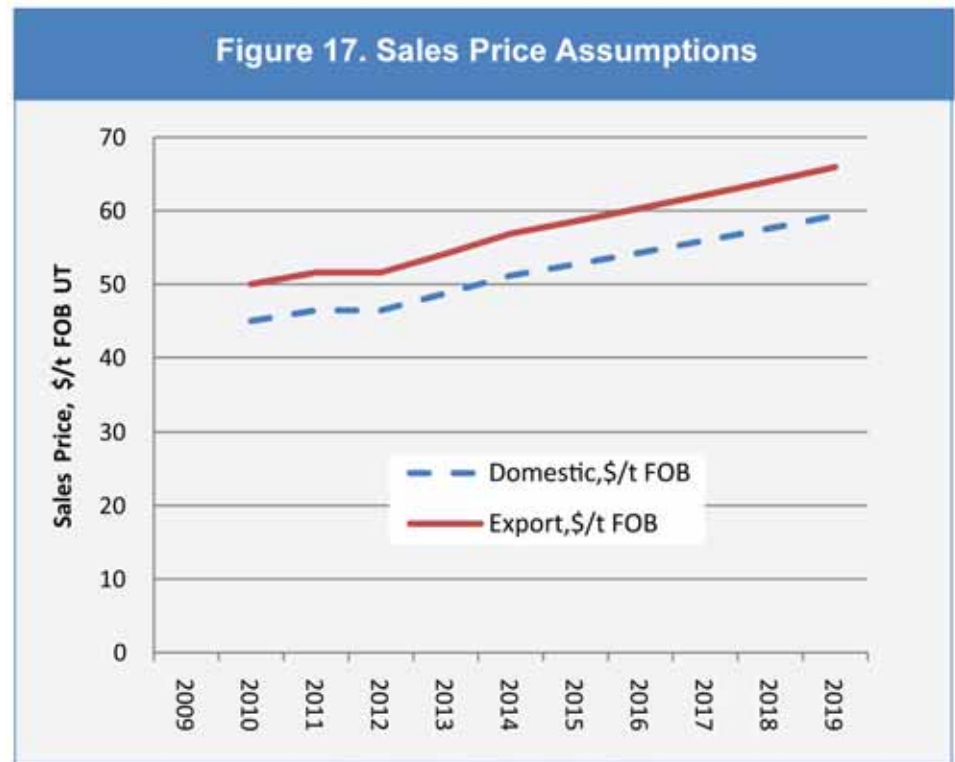
The same prices are used in each case.

Valuation Summary The first question shareholders need to know is, is the Company going under, again? I believe the answer is an emphatic no. This is based on three factors: the first is the compelling logic of the long term coal opportunity as described at length in this report. The second is the experience and capability of Management to operate the mine safely and successfully. The third and most important is the commitment of the lead investors to fund the Company through this transition stage and to realize their shared vision. Once this story is understood, investors will be more comfortable owning the stock and it should increase in value from the current depressed levels.

The Peer Group comparison in Appendix Table 3 shows four comparable coal companies and determines their average valuation as a function of sales, EBITDA and P/E. The Key Indicator method calculates value as a multiple of coal reserves using \$6/ton for developed and \$1/ton for undeveloped.

The DCF Method depends on using an appropriate discount rate. A best practice is to use a rate equal to the Company's cost of capital. A weighted average cost of capital (WACC) averages the cost of debt and the cost of equity based on their relative weight of the capitalization. Since the Company has been raising money by issuing debt and equity concurrently one can impute a cost of equity for each transaction. The process is described in Appendix Table 2 and indicates a cost of equity of 46% in the most recent applicable transaction that results in a WACC of 31% which is used in the calculations.

The bottom line in Table 12 is a current fair value on a probability weighted basis is \$0.50/share. This is twice the



52 week high but 7 times the recent price. Case A value is \$0.26; just over the 52 week high. The merits of Cases B and C are clearly not factored into the current share price, nor is the ongoing financial viability of the Company.

A Target Price of \$1.15 is based on the probability weighted average per Table 13 Panel 3. If you reduced the Cases to just A or C, and gave each a 50/50 probability, you would get a Price Target of \$1.23 or the same value as shown here. It is also clear that the price could well exceed \$2.00 if either

Table 12. Key Indicator (coal reserves)

	Case A	Case B	Case C
Proved, Developed, mil tons	19	19	19
Unproved, Undeveloped, mil tons	0	100	100
Developed @ \$6/t	114	114	114
Undeveloped @ \$1/t	0	100	100
Total	114	214	214
\$/sh @ 381 mil out FD	\$0.30	\$0.56	\$0.56

Case B or Case C is successful and in that sense the \$1.15/share target is conservative. If and when the key Milestones are met the 31% discount rate would be too high and a lower discount rate would increase the current value very significantly.

Table 13. AWSR Valuation Summary

Panel 1: Current Fair Value	Case A	Case B	Case C	
Peer Group Comparables	\$0.32	\$0.55	\$0.55	
Key Indicator	\$0.30	\$0.56	\$0.56	
DCF	\$0.17	\$0.79	\$0.94	
Average	\$0.26	\$0.63	\$0.68	
Panel 2: Target Price, 12-18 mo				
Peer Group Comparables-avg	\$0.59	\$2.12	\$2.88	
DCF Fair Value + WACC (30%)	\$0.22	\$1.03	\$1.22	
Average of 2 Methods	\$0.41	\$1.57	\$2.05	
Panel 3: Probability Weightings				
Probability Weighted Valuation	40%	50%	10%	Sum
Current Fair Value	\$0.11	\$0.32	\$0.07	\$0.50
Target Price, avg 2 methods	\$0.16	\$0.79	\$0.21	\$1.15

The sensitivity of these calculations to the key assumptions is shown in Table 14 below. Using Case B DCF calculations as an example, if the discount rate was increased 30% (10% absolute or 1000 basis points) then the DCF value declines 36%. If the coal sales prices were reduced 10% throughout the period, the DCF drops 17%.

Table 14. Case B Sensitivity Analysis To Discount Rate and Sales Prices

Scenario	Case B	Higher Discount Rate	Lower Sales Price
DCF Calculation Discount Rate, %	31%	41%	31%
Sales Prices	Standard	Standard	-10%
DCF, \$/sh	\$0.79	\$0.51	\$0.66
% Change	-	-36%	-17%

Conclusion: This is a Company in transition and is now situated to capitalize on a very positive set of fundamentals for the coal sector. The fundamentals are confirmed by the seven M&A transactions in August, the public statements and commitments made by Arch Coal (NYSE: ACI) and Peabody Coal (NYSE:BTU) as to export potential to Asia from the US. The Management team is deep and has been working together through a difficult period. They have the operating experience to make the large investments necessary to implement this plan. In addition, they have key investors who share this vision and plan to make it happen. The valuation exercise shows the value in the Company is there, and presents an order of magnitude increase over current depressed levels. As the story is told and the Company implements this plan, the share price should move higher.

Management Team

■ Dan R. Baker, Chief Executive Officer and Director

Dan was named as America West Resources' new Chief Executive Officer in July 2008, and a month later was appointed as an executive member of the Board of Directors. Previously, he served as the Chief Operations Officer beginning in August 2007. He began his business career in mining as a laborer in 1969 following an extended tour of duty with the United States Army in Vietnam. Dan has earned significant mining expertise serving as a longwall foreman, senior mining engineer, longwall superintendent and manager of underground operations while working for United States Steel Corporation, Kaiser Steel Corporation, Braztah Corporation, Utah Power and Light Company, Emery Mining Corporation and Kaiser Coal Corporation.

In 1987, Dan joined Interwest Mining Company as Vice President/Operations, overseeing both underground and surface mines in Utah, Wyoming, Washington and Australia for PacifiCorp. He served on the Interwest Board of Directors and was a member of the mining and fuels team for PacifiCorp's international activities. Dan became President and Chief Executive Officer of Interwest and Vice President/Fuels for PacifiCorp in January 1998; positions he held until he became Executive Vice President at CONSOL Energy in November 1999. At CONSOL Energy, he provided overall leadership, strategic direction and management oversight of all mining operations, intent on producing quality coal at a low cost and while complying with the highest safety standards. Since 2002, Dan has been providing consulting services for energy companies. He joined Hidden Splendor in September of 2006.

■ Brian Rodriguez, Chief Financial Officer and Director

Brian has served as a Director and Chief Financial Officer of the Company since December 2007. He is the President of Marathon Advisors, LLC, a professional services firm providing accounting and business development services to micro-cap and small-cap public companies. From March 2006 to May 2007, he served as Chief Financial Officer for SH Celera Capital Corporation, an internally managed fund. From October 2004 to March 2006, Brian served as an Accounting and Finance Consultant for Jefferson Wells, an international professional services firm. During 2004 and 2005, he also served

as a Director and Chairman of the Audit Committee for Opexa Therapeutics (formerly PharmaFrontiers Corporation), a public biotechnology company. From March 2002 to October 2004, Brian served as Controller and then Director of Finance for JP Mobile, Inc., a privately-held wireless software company based in Dallas, Texas.

As a consultant, Brian has provided services in the areas of internal controls, process design and reengineering and accounting operations to companies ranging from early stage startups to Fortune 100 enterprises. He began his career in 1993 in the Business Assurance practice of PricewaterhouseCoopers (formerly Coopers & Lybrand) in Dallas, Texas. Brian has been a Certified Public Accountant in the State of Texas since May 1995. He holds a B.B.A. degree from Texas A&M University.

Directors

■ **Alexander H. Walker III, Chairman of the Board**

Alex joined America West Resources in August 2007 as Chairman, Chief Executive Officer and President. In July 2008, he resigned his position as CEO and President, but has continued to serve as Chairman and remains active in the Company's day-to-day business activities as a senior advisor to the executive management team. In addition, Alex has been actively involved in the management of Hidden Splendor Resources, acting as its Vice President since March 2003. Prior to March 2003, Alex was engaged in the practice of law, focusing primarily in the areas of general business litigation and securities. He is a member of the Utah State Bar Association and the Nevada Bar Association; he is also a member of the Board of Directors of the South East Utah Energy Producers Association, as well as the co-Chair of the Board of the Western Energy Training Center.

Dan R. Baker, Chief Executive Officer and Director (See Officer Profile).

Brian Rodriguez, Chief Financial Officer and Director (See Officer Profile).

■ **George Jarkesy, Director**

George has served as a Director of the Company since December 2007. He is the Managing Member of John Thomas Capital Management Group, LLC, which is the general partner for John Thomas Bridge and Opportunity Fund, L.P. George previously served as the Chief Operating Officer and President of SH Celera Capital Corporation, an internally managed fund. He started his career in the financial industry with Josephthal Lyon and Ross as a New York Stock Exchange member. George has founded and built companies engaged in financial consulting, real estate investments, real estate management, employee leasing, light steel manufacturing, livestock management, oil field services and biotechnology.

Individually and through one of his companies, he was a successful strategic investor in two public biotechnology companies (ANX and OPXA). George was a co-founder of PharmaFrontiers Corporation (now Opexa Therapeutics: OPXA), and has had investments in VoIP, Internet Security and Gaming. In 1999, he expanded his investments to China as well as other international markets. George has consulted numerous venture capital groups as well as investment banking departments at small to medium sized broker dealers. Jarkesy & Company has been an active participating member of the National Investment Bankers Association since 1996. He is the Vice President of the Board of Directors for the Society of St. Vincent DePaul in the Galveston-Houston Archdiocese of the Catholic Church and is also on the board of the Jarkesy Foundation, Inc.

■ Amanda Cardinali, Director

Amanda has been a Director of the Company since August 2007. Since 2003, she has served as the President of The Nevada Agency and Trust Company (NATCO); she has managed operations at the Company since 1995. NATCO provides trust, stock transfer and resident agent services to its corporate clients. Amanda is a graduate of Hollins College in Roanoke, Virginia.

Risks

Operations. Production can be affected by machinery and equipment breakdowns, logistics of getting coal from the mine to the rail siding, geological issues such as water, excess methane gas or faulted coal seams making it difficult to mine the coal. These factors are exacerbated by the fact that the Company only has one operating mine so lacks a diversified source of coal.

Pricing. The price increases assumed in the financial projections may not be realized if the US and/or Chinese economy slow down causing demand to decline

Capital Increases. The Company has not received funding for the capital projects assumed in the valuation scenarios and failure to do so would jeopardize these valuations.

Safety. The Company has a good safety record but an accident, especially a severe one, which resulted in a loss of production, would hurt the financial condition of the Company.

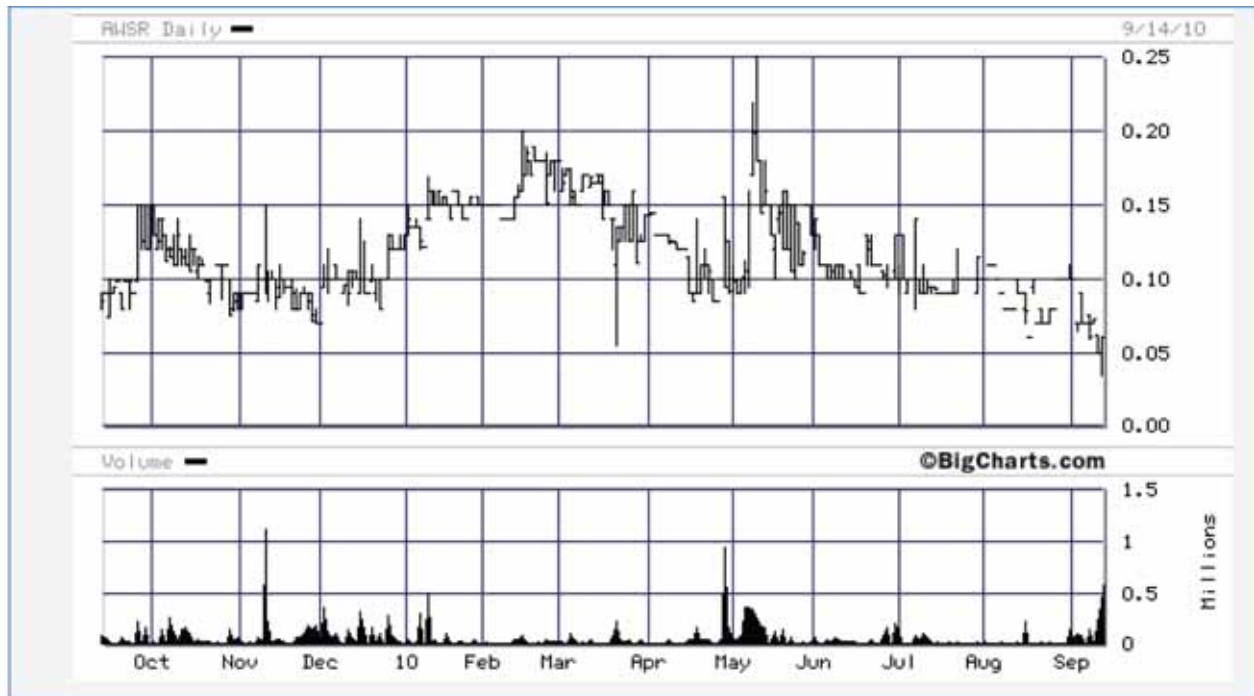
Sales. A continuing economic slowdown, either in the US or other countries such as China or India, may reduce purchases of coal and impair the sales assumptions noted.

Stock Price. The shares are considered “Penny Stocks” and subject to a number of trading and marketing restrictions.

Liquidity. The share trading volume is low and it may prevent one from initiating or exiting positions without impacting the market price.

Competition. The Company is competing with larger better financed companies in the same market and may not be able to secure the business that may be available.

Other. The reader is referred to the Company’s Annual Report Form 10-K a detailed discussion of risks.



About

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Mr. Mahaffey began his career with Exxon in engineering and later moved into board room level international business development for a major petrochemical company. He conducted merger and acquisition services for The Sterling Group in Houston, TX and led an LBO program for a Boston based investment firm. He worked with an SEC Registered Investment Advisor and has held Series 7 and 65 licenses. He has covered oil and gas, energy and other stocks as an independent equity analyst with Redchip and other research providers. He is a private investor in oil and gas prospects. He received a "Five Star" rating from Yahoo Finance for stock performance results. He has co-founded ventures in the gaming, international distribution and oil service industries. He has been quoted in numerous local and international publications including Bloomberg News. Mr. Mahaffey holds a BS in Chemical Engineering from Louisiana State University and an MBA from The Wharton School, University of Pennsylvania. He holds the Chartered Financial Analyst (CFA) charter and is a member of the New York Society of Securities Analysts.

Disclosure

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This report may contain forward-looking statements about the business, financial condition and prospects of the Company. Forward-looking statements, can be identified by the use of forward-looking terminology such as “believes,” “projects,” “expects,” “may,” “goal,” “estimates,” “should,” “plans,” “targets,” “intends,” “could,” or “anticipates,” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy or objectives. Forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Forward-looking statements in this report include, without limitation, the Company's and the analyst's expectations of the amount of coal sold pursuant to its supply contracts, the amount of its backlog, the price of coal sold in future periods, the cash flow expected from operations, the net income expected from operations, projected price of our shares of common stock, expansion strategies, access to capital, competition, regulatory risks, and other performance results. These statements are made to provide the public with management's and the analyst's current assessment of the Company's business. Although the Company and the analyst believes that the expectations reflected in forward-looking statements are reasonable, there can be no assurances that such expectations will prove to be accurate. Security holders are cautioned that such forward-looking statements involve risks and uncertainties. The forward-looking statements contained in this report speak only as of the date of this report, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based. Certain factors may cause results to differ materially from those anticipated by some of the statements made in this report.

Analyst Certification

The analysts contributing to this report certify that the views expressed herein accurately reflect the analysts' personal views as to the subject securities and issuers. Venture Research LLC (VR) certifies that no part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst authoring this report.

Venture Research LLC Research Universe

VR covers small and micro cap companies with market caps typically less than \$500 million. Each company is typically covered for at least 12 months. New companies may be added or removed at any time.

Rating System

STRONG BUY The current price reflects a substantial discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. Future growth potential is undervalued relative to the company's stock price. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price.

BUY The current price reflects a discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Several factors can indicate an undervaluation of the company's shares.

SPECULATIVE BUY The current price appears to offer potential gains though risk is considerably higher. There may be insufficient historical data or clear-cut prospects to warrant a "Buy," but the analyst believes that the long run prospects of the Company are positive. The analyst believes its risk/ reward ratio advocates purchase of the stock. In the short term, the stock may be subject to high volatility and continue to trade at a discount to its market.

HOLD The analyst is unable to assign a buy rating due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment within its risk category. Similarly there are no currently known compelling factors that would warrant selling. The analyst will remain neutral pending developments.

SELL The analyst believes that the Company is overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward given its risk category. An investment in the company may produce below market returns and/or deficits.

Rating Universe		
Rating	# Companies	% of Universe
Strong Buy	2	22%
Buy	2	22%
Speculative Buy	3	33%
Hold	1	11%
Sell	1	11%

Appendix Table 1 Coal Blending Calculations

	BTU/lb
Newcastle, AU BTU Value	10,900
Desired Cushion	100
Target Sales Specification	11,000

	BTU/lb	wt fraction	Wtd BTU/lb
Utah	12,500	65%	8,125
PRB			
8,500	35%	2,975	
Blend Total			

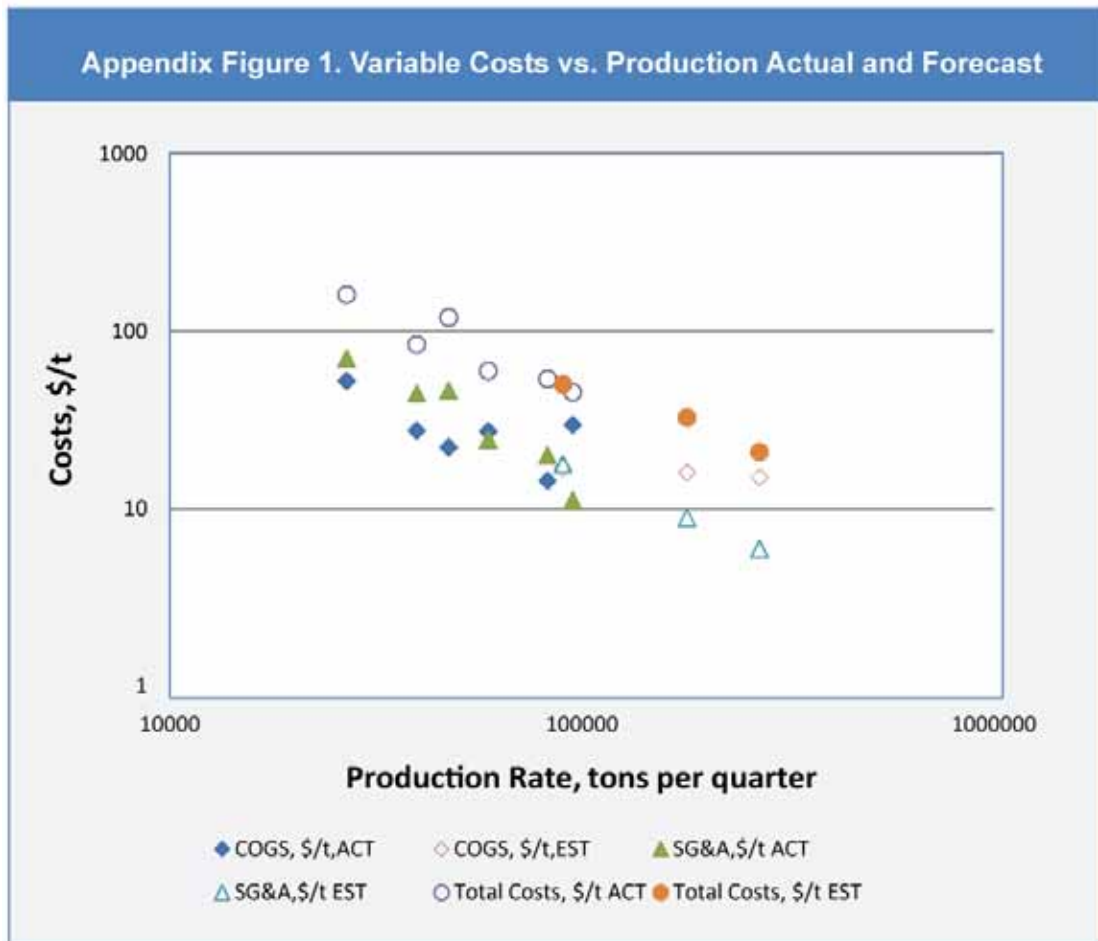
	Cost \$/t	Wtd Cost,\$/t
Utah	15	10 est. cash operating costs
PRB	15	5 PRB market price
Blend Total		15 FOB Mine

Pricing Analysis

Export Price, Newcastle FAS	98	per Peabody Coal Forecast excludes AU Mining Tax	
Export Price, US West Coast FAS	98	Additional US Distance (+15 days) offset by AU demurrage (15 days)	
Less Port Handling		(5)	Est. VR LLC
Less Freight in (UT to West Coast)	(35)	Est. VR LLC	
FOB UT		58	Exceeds assumed \$50/t

Far East Export Sales Potential Economics

Case	A	B	Difference (Case B - Case A)
PRB Blending?	No	Yes	-
Capacity Tons, UT Coal	4,800,000	4,800,000	0
Capacity, Tons, PRB Coal	0	2,584,615	2,584,615
Total Sales Capacity, tons	4,800,000	7,384,615	2,584,615
Cost, Utah,\$	71,160,000	71,160,000	0
Cost, PRB,\$	0	38,316,923	38,316,923
Total Cost	71,160,000	109,476,923	38,316,923
Sales Price, \$/t FOB Mine	50	50	0
Revenue,\$	240,000,000	369,230,769	129,230,769
Costs, \$	71,160,000	109,476,923	38,316,923
Gross Margin, \$	168,840,000	259,753,846	90,913,846
Margin,%	70%	70%	



Appendix Table 2 Weight Average Cost of Capital Worksheet

		Loan #1	Loan #2	Loan #3
Date/Loan		1/27/2010	Feb-Jun 2010	5/17/2010
Value	A	675,000	1,400,000	2,344,088
Stated Interest Rate, %/yr	B	10.0%	12.5%	15.0%
# Common Shares Issued	C	6,750,000	14,000,000	23,440,880
Assumed Share Value, \$/sh	D	\$0.10	\$0.10	\$0.10
Fair Market Value	E	400,054	823,574	3,047,313
Net Loan Value	F=A-E	274,946	576,426	0
Effective Interest Rate	G=B x (A/F)	24.6%	30.4%	N/A
WACC	=G	24.6%	30.4%	N/A
% debt	H=F/A	41%	41%	N/A
% equity	I=E/A	59%	59%	N/A
Cost of Equity	(1)	37%	46%	N/A

WACC = wt fraction equity x cost of equity + wt fraction debt x (cost of debt) x (1 tax rate)

(1) Cost of Equity = (G-H x B) X (1-TAX RATE)/I

Tax Rate 35%

Appendix Table 3 AWSR Peer Group

AWSR Price @ Peer Group Mean Multiples	Peer Group Mean	AWSR, \$/sh
CY2010 Revenue multiple	3.7	\$0.07
CY2011 Revenue multiple	2.7	\$0.34
CY2010 EBITDA multiple	7.2	NM
CY2011 EBITDA multiple	7.3	\$0.56
CY2010 P/E multiple	19.0	NM
CY2011 P/E multiple	11.2	\$1.24
Average		\$0.55

AWSR 12 Month Target Price @ Peer Group Multiple for 2012 Discounted 1 year at 30%

	Peer Group Multiple	AWSR Value EST, '12	Share Price , '12	Discount Factor	Price, \$/sh,
CY '11 Revenue Multiple	2.7	243	\$1.68	0.7	\$1.18
CY '11 EBITDA Multiple	7.3	164	\$3.10	0.7	\$2.17
CY '11 P/E Multiple	11.2	102	\$2.94	0.7	\$2.06
Average					\$1.80

Appendix Table 4 Valuation Case B Assumptions

Sales Worksheet	Contract Rate, \$/mo	Est. Price,\$/t	Contract Rate, t/mo	Contract\$/yr
#1 44 mo	215,103	40	5,378	2,581,236
#2 8 mo	925,000	40	23,125	11,100,000
#3 54 mo	1,388,889	40	34,722	16,666,667
China	4,166,667	50	83,333	50,000,000
Total	6,695,659		146,558	80,347,902

Production & Sales	Q3 '10 EST	Q4 '10 EST	Q1 '11 EST	Q2 '11 EST	Q3 '11 EST	Q4 '11 EST	CY '10 EST	CY '11 EST	CY '12 EST
Production Capacity, t/mo	30,000	60,000	90,000	90,000	90,000	400,000	37,500	167,500	400,000
Production Capacity, t/yr	360,000	720,000	1,080,000	1,080,000	1,080,000	4,800,000	450,000	2,010,000	4,800,000
Sales-China, tons	0	0	120,000	120,000	120,000	500,000	0	860,000	4,000,000
Sales Domestic, tons	90,000	180,000	150,000	150,000	150,000	150,000	379,390	600,000	800,000
Total Sales, tons	90,000	180,000	270,000	270,000	270,000	650,000	379,390	1,460,000	4,800,000
Sales, % capacity	100%	100%	100%	100%	100%	54%	84%	54%	100%
Unit Sales Price, Domestic, \$/t	\$45.00	\$45.00	\$45.56	\$46.13	\$46.71	\$47.29		\$46.42	\$46.42 1
Unit Sales Price, China, \$/t	\$50.00	\$50.00	\$50.63	\$51.26	\$51.90	\$52.55		\$51.58	\$51.58 1
Revenue, Domestic, \$	4,050,000	8,100,000	6,834,375	6,919,805	7,006,302	7,093,881			37,139,151
Revenue, China, \$	0	0	6,075,000	6,150,938	6,227,824	26,273,633			206,328,615
Capital Expense	0	2	3	17	0	0	0	20	12

Miscellaneous	Q3 '10 EST	Q4 '10 EST	Q1 '11 EST	Q2 '11 EST	Q3 '11 EST	Q4 '11 EST	Assumptions
SG&A, \$/Q (fixed),mil\$	1.6	1.6	1.6	1.6	1.6	1.6	Payables, DSO 50
DD&A, % Gross Assets/Q	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	Receivables, DSO 30
Equipment life, yrs		5					Inventory, DSO 20

Inflation	'10-'14	'15-'19
Coal Price Inflation, %/yr	5.0%	3.0%
SG&A Inflation	10.0%	3.0%

Capitalization and Fund Raising Assumptions	'CY '10	'CY '11	'CY '12	'CY '13	
Debt, % Total-Yr		50%	50%	50%	50%
Debt, \$mil		1	10	0	0
Debt, %/yr		15.0%	12.0%	10.0%	10.0%
Equity, \$mil		1	10	0	0
Equity, \$/sh		\$0.10	\$0.50	\$0.75	\$1.00
New Shares Issued, mil		10.0	20.0	0.0	0.0
Total Capital, \$mil		2	20		

Capital Expenses Worksheet	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capex, \$mil	7.0	9.8	20.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Gross PP&E	25.3	29.7	49.7	61.7	73.7	85.7	97.7	109.7	121.7	133.7	145.7
DD&A- yr	3.8	5.4	8.1	10.4	9.2	9.7	10.2	10.5	10.8	11.1	11.3
Net PP&E	15.9	20.3	32.2	33.8	36.6	38.9	40.7	42.2	43.3	44.3	45.0
Payments per Ch 11 Work Out Plan		2.1	1.9	1.2	1.0	1.4	1.4				

Income Statement										
	Q3 '08	Q4 '08	Q1 '09	Q2 '09	Q3 '09ACT	Q4 '09ACT	Q1 '10ACT	Q2 '10ACT	Q3 '10 EST	Q4 '10 EST
Net Sales Or Revenues, \$mil	0.0	7.3	1.8	2.7	4.4	2.2	1.1	3.4	4.1	8.1
Cost Of Goods Sold (Excl Depreciation)	0.0	5.1	1.1	1.6	2.8	1.1	1.4	1.2	1.5	2.9
Depreciation, Depletion And Amortization	N/A	N/A	0.5	0.5	0.4	2.4	1.0	1.6	1.4	1.4
Gross Income	0.0	2.2	0.2	0.6	1.1	-1.3	-1.3	0.6	1.1	3.8
Selling, General & Administrative Expenses	1.1	3.2	1.8	1.5	1.1	2.2	1.9	1.6	1.6	1.6
Other Operating Expenses	0.0	1.7	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0
Operating Expenses - Total	1.1	4.9	1.8	1.5	1.1	3.5	1.9	1.6	1.6	1.6
Operating Income	-1.1	-2.7	-1.5	-0.8	0.1	-4.8	-3.2	-1.1	-0.5	2.2
Extraordinary Credit - Pretax	0.0	0.4	2.1	0.8	0.0	0.5	0.0	0.4	0.0	0.0
Extraordinary Charge - Pretax	0.0	0.8	0.0	0.0	1.4	2.8	0.2	3.0	0.0	0.0
Other Income/Expense - Net	0.0	-0.1	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0
Earnings Before Interest And Taxes (Ebit)	-1.1	-3.3	0.6	-0.2	-1.4	-7.0	-3.4	-3.8	-0.5	2.2
Cash Interest Expense On Debt	0.1	1.4	0.4	0.5	0.6	1.8	1.6	0.6	0.1	0.1
Pretax Income	-1.2	-4.7	0.2	-0.7	-1.9	-8.9	-5.0	-4.4	-0.5	2.2
Tax Loss Carry Forward	0.0	-1.2	-5.8	-5.6	-6.3	-8.2	-17.1	-22.0	-26.4	-26.9
Income Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income Available To Common	-1.4	-4.2	0.2	-0.7	-1.9	-8.9	-5.0	-4.4	-0.5	2.2
EPS (non-GAAP)	-\$0.01	-\$0.04	\$0.00	\$0.00	-\$0.01	-\$0.03	-\$0.01	-\$0.02	\$0.00	\$0.01
Common Shares Out, mil	110.8	164.8	167.1	211.4	216.5	252.2	270.8	305.6	323.2	323.2

	Q1 '11EST	Q2 '11EST	Q3 '11EST	Q4 '11EST	CY '09ACT	CY '10EST	CY '11EST	CY '12EST
Income Statement								
Net Sales Or Revenues, \$mil	12.9	13.1	13.2	33.4	11.1	16.6	72.6	243.5
Cost Of Goods Sold (Excl Depreciation)	4.1	4.1	4.1	9.8	6.6	7.0	21.9	72.0
Depreciation, Depletion And Amortization	1.5	1.6	2.5	2.5	3.8	5.4	8.1	12.3
Gross Income	7.4	7.4	6.7	21.1	0.7	4.2	42.6	159.1
Selling, General & Administrative Expenses	1.6	1.6	1.6	1.6	6.5	6.7	6.4	7.0
Other Operating Expenses	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Operating Expenses - Total	1.6	1.6	1.6	1.6	0.0	6.7	6.4	7.0
Operating Income	5.8	5.8	5.1	19.5	-7.1	-2.5	36.2	152.1
Extraordinary Credit - Pretax	0.0	0.0	0.0	0.0	3.3	0.4	0.0	0.0
Extraordinary Charge - Pretax	0.0	0.0	0.0	0.0	4.3	3.2	0.0	0.0
Other Income/Expense - Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Interest And Taxes (Ebit)	5.8	5.8	5.1	19.5	-8.0	-5.4	36.2	152.1
Cash Interest Expense On Debt	0.1	0.1	0.1	0.1	3.2	2.3	0.3	0.3
Pretax Income	5.7	5.7	5.0	19.5	-11.3	-7.7	35.9	151.8
Tax Loss Carry Forward	-24.8	-19.1	-13.3	-8.3				
Income Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-50.2
Net Income Available To Common	5.7	5.7	5.0	19.5	-11.3	-7.7	35.9	101.6
EPS (non-GAAP)	\$0.02	\$0.02	\$0.02	\$0.06	-\$0.04	-\$0.02	\$0.11	\$0.31
Common Shares Out, mil	323.2	323.2	323.2	323.2			323.2	323.2

Appendix: Table 5 Pro Forma Income Statement

	Q3 '08	Q4 '08	Q1 '09	Q2 '09	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11EST	Q3 '11EST	Q4 '11EST	CY '09ACT	CY '10EST	CY '11EST	CY '12EST
Net Sales Or Revenues, \$mil	0.00	7.30	1.83	2.73	4.37	2.18	1.10	3.38	4.05	8.10	12.91	13.07	13.23	33.37	11.11	16.63	72.58	243.47
Cost Of Goods Sold (Excl Depreciation)	0.00	5.11	1.09	1.62	2.82	1.06	1.41	1.19	1.53	2.88	4.05	4.05	4.05	9.75	6.59	7.01	21.90	72.00
Depreciation, Depletion And Amortization	N/A	N/A	0.49	0.48	0.44	2.43	1.03	1.62	1.38	1.38	1.48	1.63	2.48	2.48	3.84	5.41	8.08	12.33
Gross Income	0.00	2.20	0.25	0.63	1.11	-1.30	-1.34	0.58	1.14	3.84	7.38	7.39	6.70	21.13	0.68	4.21	42.60	159.13
Selling, General & Administrative Expenses	1.07	3.22	1.77	1.45	1.05	2.20	1.88	1.65	1.60	1.60	1.60	1.60	1.60	1.60	6.48	6.73	6.40	7.04
Other Operating Expenses	0.00	1.67	0.00	0.00	0.00	1.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.28	0.00	0.00	0.00	0.00
Operating Expenses - Total	1.07	4.90	1.77	1.45	1.05	3.48	1.88	1.65	1.60	1.60	1.60	1.60	1.60	1.60	0.00	6.73	6.40	7.04
Operating Income	-1.07	-2.70	-1.53	-0.82	0.05	-4.78	-3.22	-1.07	-0.46	2.24	5.78	5.79	5.10	19.53	-7.08	-2.52	36.20	152.09
Extraordinary Credit - Pretax	0.00	0.36	2.10	0.75	0.00	0.47	0.00	0.36	0.00	0.00	0.00	0.00	0.00	0.00	3.32	0.36	0.00	0.00
Extraordinary Charge - Pretax	0.00	0.85	0.00	0.00	1.41	2.84	0.18	3.05	0.00	0.00	0.00	0.00	0.00	0.00	4.25	3.23	0.00	0.00
Other Income/Expense - Net	0.00	-0.07	0.01	-0.15	-0.02	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	0.00	0.00
Earnings Before Interest And Taxes (Ebit)	-1.07	-3.25	0.58	-0.22	-1.37	-7.02	-3.40	-3.76	-0.46	2.24	5.78	5.79	5.10	19.53	-8.03	-5.39	36.20	152.09
Cash Interest Expense On Debt	0.08	1.42	0.35	0.45	0.57	1.85	1.56	0.61	0.07	0.07	0.07	0.07	0.07	0.07	3.22	2.31	0.27	0.27
Pretax Income	-1.15	-4.67	0.23	-0.67	-1.94	-8.87	-4.97	-4.37	-0.53	2.17	5.71	5.72	5.03	19.47	-11.26	-7.70	35.93	151.83
Tax Loss Carry Forward	0.00	-1.15	-5.82	-5.60	-6.26	-8.21	-17.08	-22.04	-26.42	-26.95	-24.78	-19.07	-13.35	-8.31	0.00	0.00	0.00	-50.23
Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-50.23
Net Income Available To Common	-1.36	-4.17	0.23	-0.67	-1.94	-8.87	-4.97	-4.37	-0.53	2.17	5.71	5.72	5.03	19.47	-11.26	-7.70	35.93	101.60
EPS (non-GAAP)	-\$0.01	-\$0.04	\$0.00	\$0.00	-\$0.01	-\$0.03	-\$0.01	-\$0.02	\$0.00	\$0.01	\$0.02	\$0.02	\$0.02	\$0.06	-\$0.04	-\$0.02	\$0.11	\$0.31
Common Shares Out. mil	110.78	164.75	167.05	211.39	216.46	252.22	270.76	305.60	323.24	323.24	323.24	323.24	323.24	323.24			323.24	323.24



Appendix: Table 6 Cash Flow Statements																	
	Q3 '08	Q4 '08	Q1 '09	Q2 '09	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11	Q3 '11	Q4 '11	CY '10EST	CY '11EST	CY '12EST
Net Income (Loss)	(1.36)	(4.17)	0.23	(0.67)	0.61	(8.87)	(4.97)	(4.37)	(0.53)	2.17	5.71	5.72	5.03	19.47	(7.70)	35.93	101.60
Depreciation, Depletion And Amortization			0.49	0.48	0.44	2.43	1.03	1.60	1.38	1.38	1.48	1.63	2.48	2.48	5.40	8.08	12.33
Other Cash Flow	0.98	0.43	(1.65)	(0.27)	(0.33)	5.76	2.30	3.24	0.00	0.00	0.00	0.00	0.00	0.00	5.54	0.00	0.00
Funds From Operations	(0.39)	(3.75)	(0.93)	(0.46)	0.72	(0.67)	(1.64)	0.47	0.85	3.55	7.19	7.35	7.52	21.95	3.24	44.01	113.93
Net Changes in Assets/Liabilities																	
Decrease / (Increase) In Receivables	0.00	0.11	(0.17)	(0.40)	0.53	(0.75)	0.80	(0.81)	0.48	(0.34)	(0.40)	(0.01)	(0.01)	(1.68)	0.13	(2.11)	(17.51)
Decrease / (Increase) In Inventories	0.00	0.00	N/A	N/A	N/A	0.25	0.02	(0.61)	0.41	(0.23)	(0.27)	(0.01)	(0.01)	(1.12)	(0.41)	(1.40)	(11.67)
Increase / (Decrease) In Accounts Payable	0.37	(1.14)	0.35	0.70	0.76	0.18	(0.04)	0.07	(2.87)	0.19	0.16	0.00	0.00	0.79	(2.66)	0.95	8.65
Increase / (Decrease) In Other Accruals	N/A	3.23	0.09	1.12	0.35	0.44	0.39	1.07	0.00	0.00	0.00	0.00	0.00	0.00	1.46	0.00	
Decrease / (Increase) In Other Assets / Liabilities	(0.14)	0.00	0.00	0.01	(0.50)	(0.10)	0.54	(0.14)	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	
Net Cash From Operations	(0.16)	(1.55)	(0.66)	0.97	1.85	(0.64)	0.06	0.05	(1.13)	3.18	6.69	7.33	7.49	19.95	2.16	41.46	93.40
Capital Expenditures	0.00	(4.75)	(1.36)	(3.12)	(1.39)	(1.11)	(1.02)	(1.40)	0.00	(2.00)	(3.00)	(17.00)	0.00	0.00	(4.43)	(20.00)	(12.00)
Purchase of Investments	(0.64)	2.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other Sources - Investing	0.00	0.06	N/A	(0.50)	N/A	N/A	0.15	0.46	0.00	0.00	0.00	0.00	0.00	0.00	0.61	0.00	
Other Uses - Investing	(0.05)	(0.33)	(0.98)	0.90	0.00	(1.00)	(0.05)	0.02	(1.06)	(1.06)	(0.48)	(0.48)	(0.48)	(0.48)	(2.15)	(1.92)	(1.18)
Net Cash From Investing	(0.69)	(2.72)	(2.34)	(2.72)	(1.39)	(2.10)	(0.92)	(0.92)	(1.06)	(3.06)	(3.48)	(17.48)	(0.48)	(0.48)	(5.96)	(21.92)	(13.18)

Company Name America West Resources Inc
Ticker AWSR

(\$ Millions)	DCF Model	Assumptions		Terminal Gr rate	
Input		Growth Rate assumption	0	0.02	
EBIT	-5.483207	Debt Ratio	0.4	0.2	
EBIT*(1-Tax rate)	-3.56408455	Beta used for stock	0	1.5	
		Risk free rate	0	0.04	
D&A	3.83988	Risk Premium	0	0.08	
Tax Rate	0.35	Cost of Debt	0.125	0.09	
Chg. Working Capital	0	Cost of Equity	0.46	0.16	
Last fiscal year end	40178	Equity/(Debt+Equity)	0.6	0.8	
Fully Diluted Shares O/S	380.937114	After-tax Cost of debt	0.08125	0.0585	
Share Price	0.067999959	Debt/(Debt +Equity)	0.4	0.2	
Length of the stage	10	Wt.Avg.Cost of Capital(WACC)	0.3085	0.1397	

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Terminal Year
Expected Growth Rate	0	1	2	3	4	5	6	7	8	9	10	
EBIT	-5	-3	36	152	160	168	173	178	183	189	194	
EBIT*(1-tax rate)	-4	-3	36	99	104	109	112	116	119	123	126	
+ Depreciation & Amortization	4	5	8	12	9	10	10	11	11	11	8	
- Capex	-7	-10	-20	-12	-12	-12	-12	-12	-12	-12	-12	
- Chg. Working Capital	-15	0	44	102	0	0	0	0	0	0	0	
Free Cashflow to Firm	-22	-7	68	201	101	107	110	114	118	122	122	1,040
Cost of Capital		31%	31%	31%	31%	31%	31%	31%	31%	31%	31%	
Discount Factor		76%	58%	45%	34%	26%	20%	15%	12%	9%	7%	
Present Value		-6	40	90	34	28	22	17	14	11	8	71

Valuation	
Present Value of FCFF	259
Present Value of Terminal Value of Firm	71
Implied Enterprise Value	329
Present Value of Terminal Value of Firm as a % of total Implied Enterprise Value	0
-Add: Cash and Cash Equivalents	0
-Less: Minority Interest	0
-Less: Preferred Stock	0
-Less: Total Debt	29
Implied Market Value of Equity	300
Total shares O/S	381
Market Value of Equity/share	\$0.79

Sensitivity Table - WACC and Terminal Growth

Implied Enterprise Value	329.4
Net Debt	28.9
Implied Market Value of Equity	300.4
Shares O/S	380.9
Market Value of Equity/share	\$0.79

WACC	Terminal Growth				
	1.0%	1.5%	2.0%	2.5%	3.0%
30%	\$0.68	\$0.68	\$0.68	\$0.68	\$0.69
30%	\$0.68	\$0.68	\$0.68	\$0.68	\$0.69
31%	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68
31%	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68
32%	\$0.67	\$0.68	\$0.68	\$0.68	\$0.68

AMERICA WEST RESOURCES INC
 Consolidated Statements of Income
 30-Jun-10

For Period Ended Jun 30, 2010	06/30/10 3m	06/30/10 6m	06/30/09 3m	06/30/09 6m
Revenues	--	--	--	--
Coal sales	3,377,413	4,460,517	2,595,403	4,385,892
Machine repair services	6,648	24,465	130,678	167,800
Total revenues	\$3,384,061	\$4,484,982	\$2,726,081	\$4,553,692
Cost of production and services:				
Coal production costs	2,800,433	5,126,950	2,442,494	3,993,497
Coal purchases	--	--	154,122	154,122
Machine repair costs	3,068	3,884	110,724	140,051
Total cost of production and services	\$2,803,501	\$5,130,834	\$2,707,340	\$4,287,670
Gross profit (loss)	580,560	(645,852)	18,741	266,022
Operating expenses:				
General and administrative	1,648,458	3,643,541	1,309,154	2,869,937
Loss from operations	\$(1,067,898)	\$(4,289,393)	\$(1,290,413)	\$(2,603,915)
Other income (expenses):				
Interest income	30	84	51	5,828
Interest expense	(614,328)	(2,176,957)	(601,496)	(952,670)
Loss on extinguishment of debt	(3,047,313)	(3,047,313)	--	--
Gain on derivative liabilities	358,362	176,374	1,426,682	5,401,001
Total other income (expenses)	\$(3,303,249)	\$(5,047,812)	\$825,237	\$4,454,159
Net income (loss)	(4,371,147)	(9,337,205)	(465,176)	1,850,244
Basic and diluted earnings (loss) per share	(0.02)	(0.03)	--	0.01
Basic weighted average shares outstanding	285,610,840	273,679,180	183,592,880	175,094,824
Diluted weighted average shares	285,610,840	273,679,180	183,592,880	189,748,154

AMERICA WEST RESOURCES INC
Consolidated Statements of Cash Flows
30-Jun-10

For Period Ended Jun 30, 2010	06/30/10 6m	06/30/09 6m
Cash Flows from Operating Activities:	--	--
Net income (loss)	(9,337,205)	1,850,244
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and depletion	2,632,472	1,576,819
Amortization of debt discounts	1,157,559	114,544
Amortization of deferred financing costs	--	151,917
Accretion of asset retirement obligation	24,000w	7,564
Common stock issued for services	332,010	245,250
Common stock issued as loan costs	--	150,000
Warrant expense	619,171	--
Option expense	483,463	263,540
Loss on write-off of property and equipment	50,093	--
Gain on derivative liabilities	(176,374)	(5,401,001)
Loss on extinguishment of debt	3,047,313	--
Changes in current assets and liabilities:		
Accounts receivable	(11,444)	(568,615)
Inventory	(592,337)	--
Prepaid expenses	(97,010)	--
Accounts payable	(16,924)	1,049,875
Accounts payable-related party	46,000	--
Deferred revenue	500,000	--
Accrued liabilities	1,455,626	863,502
Net cash provided by operating activities	\$116,413	\$303,639
Cash Flows from Investing Activities:		
Purchase of property and equipment	(134,263)	(2,371,076)
Capital expenditures for land and mineral properties	(2,293,549)	(2,110,940)
Change in restricted cash	611,773	--
Advance royalty payments made	--	(500,000)
Deposits	(24,610)	(78,120)
Net cash used in investing activities	\$(1,840,649)	\$(5,060,136)
Cash Flows from Financing Activities:	--	--
Proceeds from issuance of common stock, net of issuance costs	--	187,616
Cash received for stock issued with debt	--	150,000

For Period Ended Jun 30, 2010	06/30/10 6m	06/30/09 6m
Replenish bank overdraft	(607,021)	--
Collection of subscription receivable	--	4,305,610
Cash paid for debt financing costs	(39,000)	--
Proceeds from related party debt	759,611	1,187,000
Payments on related party debt	(35,000)	(1,385,000)
Proceeds from debt	2,363,686	1,495,000
Payments on debt	(662,009)	(1,450,860)
Net payments on revolving credit	(34,500)	(34,917)
Net cash provided by financing activities	\$1,745,767	\$4,454,449
Net increase (decrease) in cash and cash equivalents	21,531	(302,048)
Cash and cash equivalents at beginning of period	44,660	407,472
Cash and Cash Equivalents at End of Period	66,191	105,424
Supplemental Cash Flow Information	--	--
Cash paid for interest	213,144	265,750
Cash paid for income taxes	--	--
Noncash Investing and Financing Activities	--	--
Debt issued for property	--	134,520
Accrued interest converted to debt	94,088	--
Warrants reclassified to derivative liability	662,835	--
Debt discount from common stock issued with debt	4,651,608	1,509,142

AMERICA WEST RESOURCES INC
 Consolidated Balance Sheet
 30-Jun-10

For Period Ended Jun 30, 2010	06/30/10	12/31/09
Current assets:		
Cash and cash equivalents	66,191	44,660
Restricted cash	4,010	615,783
Accounts receivable	813,305	801,861
Inventory	636,778	44,441
Prepaid expenses	193,832	96,822
Deferred financing costs	39,000	--
Total current assets	\$1,753,116	\$1,603,567
Deposits	101,227	76,617
Property and equipment:		
Property and equipment	13,074,372	12,990,200
Land and mineral properties	14,610,255	12,316,706
Less: accumulated depreciation and depletion	(12,032,335)	(9,399,861)
Net property and equipment	\$15,652,292	\$15,907,045
Total assets	17,506,635	17,587,229
Liabilities and Stockholders' Deficit		
Current liabilities:		
Bank overdraft	--	607,021
Accounts payable	2,894,670	2,911,594
Accounts payable-related party	192,600	146,600
Accrued expenses	3,924,307	2,562,769
Deferred revenue	500,000	--
Line of credit	--	34,500
Short-term debt - related party, net of unamortized discounts of \$249,629 and \$0, respectively	2,081,982	1,607,000
Current maturities of long-term debt, net of unamortized discounts of \$197,107 and \$0, respectively	15,008,952	13,410,135
Derivative liabilities	3,682,331	3,195,870

For Period Ended Jun 30, 2010	06/30/10	12/31/09
Total current liabilities	\$28,284,842	\$24,475,489
Long-term debt	475,000	475,159
Asset retirement obligation	181,048	157,048
Total liabilities	\$28,940,890	\$25,107,696
Stockholders' deficit:	--	--
Preferred stock, \$0.0001 par value; 2,500,000 shares authorized; none issued and outstanding	--	--
Common stock, \$0.0001 par value; 300,000,000 shares authorized; 305,603,382 and 252,224,502 shares issued and outstanding, respectively	30,561	25,225
Additional paid-in capital	20,833,287	15,415,206
Accumulated deficit	(32,298,103)	(22,960,898)
Total stockholders' deficit	\$(11,434,255)	\$(7,520,467)
Total liabilities and stockholders' deficit	17,506,635	17,587,229