Zacks Small-Cap Research

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America West Resources (AWSR-OTC)

AWSR: Coal seam ends. Changing recommendation and target price.

OUTLOOK

America West Resources owns a coal mine in Utah that is in the transition from development to production.

America West Resources has coal contracts for over $500 million. We expect rapid revenue growth, profits and a dramatic improvement in the balance sheet during 2013 and 2014.

We are changing the recommendation to Neutral with a target price of $1.25.

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	08/26/2011
Current Price (10/26/2011)	$0.74
Target Price	**$1.25**

SUMMARY DATA

52-Week High	**$2.35**
52-Week Low	**$0.41**
One-Year Return (%)	**-53.1**
Beta	**0.55**
Average Daily Volume (sh)	**4,498**
Shares Outstanding (mil)	**59.4**
Market Capitalization ($mil)	**$40.4**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**33**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2011 Estimate	**N/M**
P/E using 2012 Estimate	**N/M**

Risk Level	**High**
Type of Stock	**Small Growth**
Industry	**Coal**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	**1.1 A**	**3.4 A**	**2.8 A**	**2.8 A**	**10.1 A**
2011	**3.5 A**	**4.0 A**	**3.5 E**	**3.5 E**	**14.5 E**
2012	**3.0 E**	**3.0 E**	**3.5 E**	**4.5 E**	**14.0 E**
2013	**5.5 E**	**6.0 E**	**6.5 E**	**6.5 E**	**24.5 E**

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	**-$0.18A**	**-$0.12A**	**-$0.08A**	**-$0.24A**	**-$0.62A**
2011	**-$0.14A**	**-$0.04A**	**-$0.05E**	**-$0.07E**	**-$0.27E**
2012	**-$0.07E**	**-$0.07E**	**-$0.06E**	**-$0.04E**	**-$0.24E**
2013	**-$0.02E**	**-$0.02E**	**-$0.02E**	**-$0.02E**	**-$0.08E**

Zacks Projected EPS Growth Rate - Next 5 Years % 45
2010 EPS include unaudited adjustments for accounting changes.

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RECENT NEWS:

Geological fault

One of the coal seams is subject to a slippage (possibly a few million years ago) due to earth movement and that section is no longer being mined. About a third of the miners have been placed on temporary layoff for about six months. We have adjusted our estimates to reflect the loss of coal production and the work required to open up another section. Due to the uncertainty of the timing of building production we have dropped our recommendation to Neutral.

Adding a loadout facility:

The company has announced the lease purchase of the Wildcat loadout facility that is about eight miles from the Horizon mine. Coal will be transferred from the mine by truck to the facility where it will be sorted and loaded into trucks or railcars. This will reduce current shipping costs since the loadout is closer to the mine (eight miles) than the current railhead (25 miles) and increase the amount of coal that can be handled. There are about six mines in reasonably close proximity to the Horizon mine so shipping services can be offered to other mines. The railroad will deliver the coal to the Company's customers in the Western US in accordance with the contracts.

The coal is also screened and sorted by size. Lump coal is used for BBQs, it burns hotter and longer than wood. Stoker coal is used in stoves, coal heaters and furnaces. America West will sell pick-up loads for users and resellers. The coal is still high BTU steam coal but in different sizes. The lump and stoker coal will sell at much higher prices per pound than does steam coal.

The third quarter 10Q for 2010 was filed 11.22.10 and for 2009 on 11.25.09. We would expect the 10Q for the current year to be filed the week of 21 Nov. 2011.

Second quarter results:

Although the company reported record revenue based on an all time high production rate, revenue was below our estimate due to some mine safety issues. The mine has been worked on and off for many years and removing some of the pillars and expanding the mine required some remediation work on the bolts holding up the roof. The new bolts were three times as expensive as the standard ones, much work was needed to ensure safety and the mine was re-inspected (the inspectors took some time in approving the work). After all the pillars are mined, that part of the mine will be sealed and never entered again.

Management still expects to move to positive cash flow in 2011.

Stock for debt swap:

On July 21, 2011 America West Resources converted $11,266,923 of debt to stock at $1.00 a share and completed a private placement of $2 million, also at $1.00 a share. This will improve net income due to lower interest expense but this is offset by the (approximate) 35% share dilution.

We have adjusted our estimates to reflect the new share count.

There have been several recent acquisitions of mid-sized coal companies. Investor interest in the sector is increasing.

Current Outlook:

During a conference call June 1 2011, the company discussed the current operating outlook and answered questions.

Both continuous miners are working at close to their optimum output and the company expects to mine coal at 180,000 tons a quarter, much of it from the pillars. Using one miner to develop new areas of the mine and the second one to mine the coal from the pillars the company can keep the cost of production per ton at or below the level of the first quarter, which was $23 a ton. The first miner has been fully refurbished and the second one is nearly new.

A third miner is expected to be running in the second half of the year. This should bring production to over one million tons per year. The next phase would be to add a long-wall miner, which can produce from 3 million to 6 million tons a year or 900,000 tons a quarter. With three continuous miners and one long-wall miner the cost per ton could be as much as 40% below the current level.

With a total of four miners the life of the current mine would be about three years. The company is in the process of applying for mining permits in adjacent land, which is owned by the US Government.

The company expects to reach break-even cash flow in the current (second) quarter, but we do not think it will be positive for all of the quarter. We do expect an operating profit for the third quarter of 2011. Our earlier estimates had assumed a long-wall miner in operation for the second quarter of 2012 but we have changed this to the first quarter of 2013. We have adjusted our estimates to reflect this.

During April 2011, the company issued a total of 540,000 shares of the Company's Common Stock for $540,000. The current share count is close to 40 million.

First Quarter 2011 report:

The company has reported its first quarter 2011 results, which included a number of non-cash charges. Excluding these the loss was $0.10 a share.

	2011	2010
Coal sales	$3.46	$ 1.1
Machine repair services	0.02	0.18
Total revenue	$3.49	$1.10
Coal production costs	2.42	1.27
Depn., depletion and accretion	0.43	1.04
Total cost of revenue	2.85	2.44
Gross profit	0.63	(1.34)
General and admin. expenses	2.06	1.88
Other expenses	0.43	1.74
Loss from operations	$3.53	$4.97
Non-cash charges	3.0	-

Net Operating Loss, GAAP	$6.53	$4.97

(Dollars in millions)

The company produced 94,648 tons of coal in the first quarter. The new continuous miner was working for two months during the quarter.

KEY POINTS:

AWSR owns a coal mine in Utah that is moving from the development stage into production. Phase one is complete, phase two was finished February 2011, and phase three is scheduled to come on line later in 2011. Each phase should be capable of producing at least 100,000 tons of coal per quarter.

Over the past two years the company has signed contracts for over $475 million, including extensions, with $367 million to be delivered over five years, but has delivered only $22 million against those contracts. At an average price of $40 a ton this amount to a potential average annual production of 9.2 million tons a year. This will require the third section to be operating plus the use of a longwall miner if more contracts are signed. Profits of $3 a ton are possible.

After phase three is on line, the mine should be profitable with positive cash flow.

Coal rights on several adjacent properties could be acquired for future expansion.

OVERVIEW

America West Resources, Inc. is an established domestic coal company that mines clean and compliant (low-sulfur) coal mainly for steam generation (steam or thermal coal) by electric utilities. Another use of the coal is in the production of cement. The company operates the Horizon Mine located in Carbon County, Utah about 11 miles west of Helper Utah and 120 miles southeast of Salt Lake City in an area that has a number of coal mines. The mine is operated by a wholly owned subsidiary, Hidden Splendor Resources. The plan is to expand mining operations in this mine, and acquire additional mining properties.

The company has entered into contracts with two of its largest customers to deliver a certain quantity of coal at a fixed price during 2010, subject to standard terms and conditions. America West continuously negotiates short-term contracts at the then market price. The strategy is to have a series of long-term and short-term delivery contracts.

The coal is loaded into trucks which haul the coal either directly to end users or to distribution facilities known as loadouts where the coal is loaded into rail cars and transported via rail to customers. The Horizon Mine is located approximately eight miles from the nearest loadout facility and approximately sixteen miles from the loadout facility most commonly used to ship Horizon

Mine coal to end users. Hidden Splendor sells the coal mined at the Horizon Mine on a “FOB the mine” or “FOB the railcar” basis. For the “FOB the mine” basis, Hidden Splendor earns payment for the coal mined from the Horizon Mine, as that coal is loaded into trucks at the mine site. Once the coal is loaded into those trucks, the coal belongs to the customer. For the “FOB the railcar” basis, Hidden Splendor earns payment for the coal mined from the Horizon Mine, as that coal is loaded into the railcar at the railroad loadout facility. Again, once the coal is loaded into the railcars, it belongs to the customer.

The company has a federal lease that covers coal which lies under approximately 1,640 acres of land in Carbon County, Utah. The surface rights to most all of the land in which the leased coal lies is owned by private landowners. The mine has an operating license from the Utah Department of Natural Resources, Oil, Gas and Mining Division (permit number C/007/0020). The Horizon Mine is an underground, slope mine. At present, adequate surface facilities are in place at the mine site to support underground mining operations which take place at the mine. The surface facilities of the Horizon Mine operation are located on property owned by the company (see Google Earth, reference Horizon Mine).

Those surface facilities include a mine office and bathhouse facility, a storage trailer, the portals which lead to the underground operations of the mine, a conveyer belt structure which moves coal from the underground operations to the surface, a crushing unit which sizes the coal mined and a stacking tube around which the coal mined is stacked on the surface. All structures on the surface are in good operating condition. The surface operations cover approximately 8.9 acres of land.

Underground operations currently extend a total of approximately two miles from the surface entrance of the mine to the farthest working area in the mine.

Hidden Splendor began its production operations at the Horizon Mine in August of 2003. At the time the company took over the operations at the Horizon Mine, the surface facilities were substantially in place and underground mining operations had been established. Hidden Splendor acquired additional equipment to commence mining operations and since August of 2003 has acquired substantial additional equipment to continue operations. Since it took control of the mining operations at the Horizon Mine in 2003, the company has removed approximately 1.6 million tons of coal from the reserves in the permitted area of the mine.

The company’s proposed plan for the continued development of the Horizon Mine involves continued operation of a room-and-pillar mining operation. A room-and-pillar operation involves creating a network of interconnected tunnels in the coal seam. These tunnels result from the excavation of a series of “rooms” into the coal bed, leaving “pillars” or columns of coal to help support the mine roof. The rooms and pillars create what on a map looks like a series of city streets and blocks, with the streets being the open rooms and the blocks being the pillars of coal.

Considerable time and materials are utilized in what is known as “development” mining in order to assure that the roof in the open areas of the mine is secure and supported. Development mining simply refers to the mining phase in which the series of rooms and pillars are created, or developed. Room-and-pillar mining also involves the removal of the pillars of coal from areas of the mine which have been fully developed. This kind of mining is referred to as “pillaring” or “MRS extraction of pillar coal.” Pillaring involves the use of mechanized roof support equipment known as mobile roof supports, or “MRSs,” to support the roof of the mine while some of the pillars of coal are removed. MRSs are large track-driven, hydraulic canopies which are remotely operated. The use of MRSs in pillaring replaced an older method of retreat mining which involved supporting the roof of a mine with wooden posts only as pillars were removed. That method did not afford the same level of safety which MRS pillar extraction affords.

Pillaring involves backing out of a section of the mine as the pillars in that section are removed. Because the pillars are being removed from the section, time and materials are not utilized to maintain the roof in that area of the mine to the same extent they are used in development mining. The roof is maintained by the MRSs which monitor the stress pushing down from the roof. The roof of the area in which pillaring takes place is not maintained because as pillars are removed that roof falls in the area after the MRS units are remotely removed and that area of the mine is sealed off and abandoned. Once the panel is fully created, pillaring takes place and the pillars are removed from the panel. Once pillaring in a panel is completed, another panel is developed.

While most coal mines in Utah mine coal using large and expensive longwall mine units, the Horizon Mine uses continuous miner machines. Longwall mining is best suited for large, flat and uninterrupted blocks of coal. Because the coal seam in the mine contains many faults and fractures, a long-wall operation in the mine is not economically feasible in all parts of the mine, and coal is best mined with a continuous miner which can more easily follow the contours of the coal seam as it rises and falls. However, other sections of the mine may lend itself to long wall operation which is capable of higher throughput at lower operating cost, albeit at a higher capital cost.

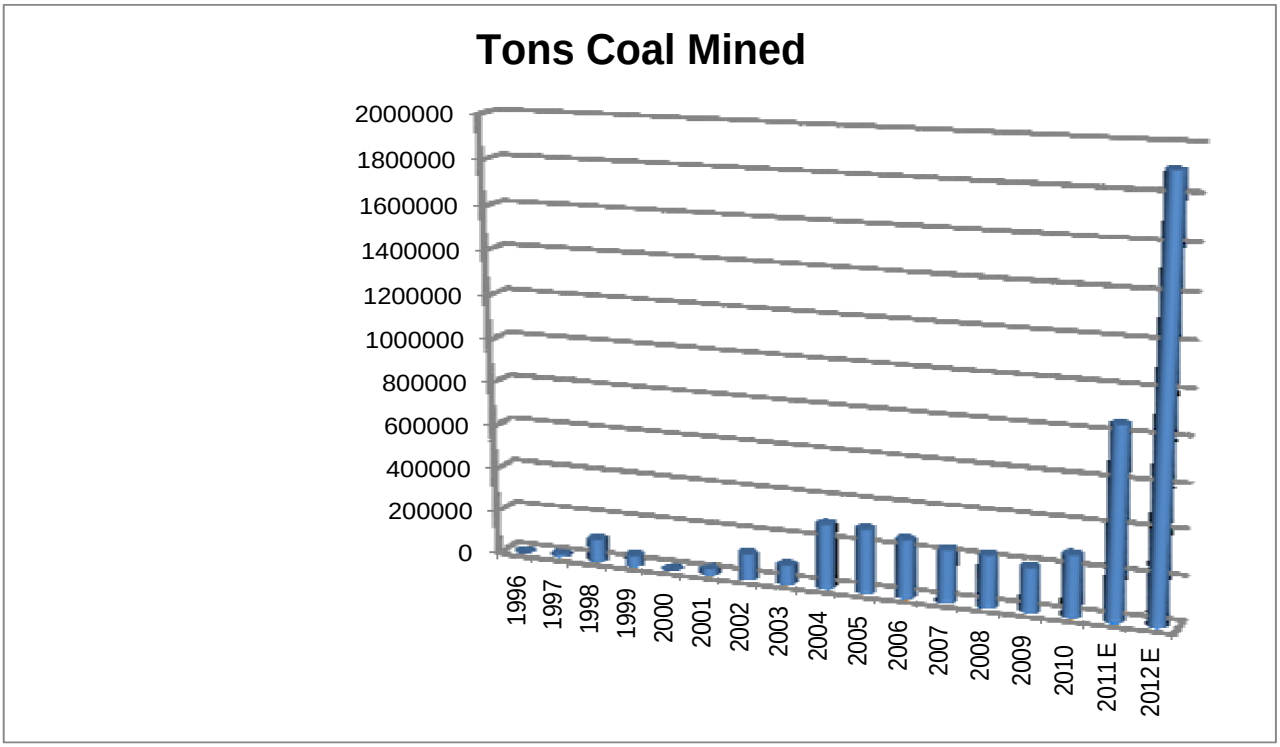
A continuous miner cuts the coal from the seam and places it in shuttle cars, which take the coal from the continuous miner to the conveyor belts. The conveyer belts then move the coal out of the mine where the coal is crushed to size and piled for loading into trucks. Operations end with loading the coal into trucks on the mine site.

Since August 2003 the mine was operated as a one section mine, that is using one area of the mine using one continuous miner, two shuttle cars and associated equipment. The consequence of this is that any problem has a significant impact on production, and production itself is limited. If any break in the seam is present it is necessary to mine through that break. As a result the mine incurs all of the expenses of mining but no coal is produced.

Beginning in late May 2008 the mine began operations as a two section mine. Due to equipment breakdowns, it was not possible to operate in two sections. In July 2009 a rebuilt continuous miner was deployed, resulting in better operating efficiencies. A second miner has been leased and should be operating by year end 2010, and a third section is being opened and should be producing coal by the end of the first quarter of 2011.

Current operations of the Horizon Mine.

The Horizon Mine is currently operational, producing “compliant” thermal coal with an average of approximately 12,000 BTU/lb. and 0.5% sulfur. Since 2003 the Company has extracted over 1.6 million tons of coal from the mine. The Horizon Mine coal was sold at an average sale price of approximately $42.85 per ton in the fourth quarter of 2010, was sold at an average price of approximately $46 per ton during the year ended December 31, 2009 and $37.23 for the full year 2010.



The company's average production cost per ton, excluding mine development costs, of coal for the year ended December 31, 2010 was approximately $32 per ton. Production costs per ton were extraordinarily high in 2009 due to 1) encountering artesian water in the Horizon Mine during the first quarter, 2) equipment breakdowns encountered during the first six months of 2009, 3) downtime associated with sealing an obsolete section of the mine and moving production to another section of the Horizon Mine during the third quarter, 4) downtime associated with deploying new equipment during the third quarter, and 4) intermittently idling the mine during the fourth quarter due to decreased demand for steam coal in accordance with market conditions in the western United States.

Management estimates there are in excess of 100 million tons of additional recoverable coal reserves adjacent to the Horizon Mine that are controlled by Carbon County and the BLM. In March 2009, the BLM granted the company a lease modification to access and lease approximately 6.8 million recoverable tons of the adjacent reserves. The Company intends to pursue additional adjacent reserves by negotiating with officials of Carbon County and the BLM.

Coal mined at the Horizon Mine is located in what is known as the Hiawatha Coal Seam located in the Wasatch Plateau Coal Field. The average height of the seam as it runs through the mine is approximately seven feet. The coal extracted from the Horizon Mine generally has a BTU value of between 11,500 and 11,800 BTUs/lb. Analysis of the coal produced at the Horizon Mine in August of 2006 has shown BTU levels as high as 12,600 although the customer may not be able to utilize the higher BTU.. Ash levels in coal substantially affect the value of coal. As it sits in place in the Hiawatha Seam, coal at the Horizon Mine contains ash at levels from 8% to 9%. Mining of the coal can increase ash levels if the rock either above or below the coal seam is mined and mixed with the coal taken from the seam, and our ash levels generally test out at 8% to 15%, though conditions in the mine over the last couple of years have seen higher ash levels. As stated above, reports provided to the company indicate that there are at least 12.1 million recoverable tons

remaining in the leased and permitted operations. This estimate could be conservative. Additional tonnage, though not leased at this time, is in reserves adjacent to the current operation.

In 2008, the company entered into an agreement with Hidden Splendor, Alexander H. Walker, Jr. and Cecil Ann Walker, both of whom were directors of the Company, to formalize the purchase by Hidden Splendor of five patented and 47 unpatented mining claims located in Lyon County, Nevada, known as the "Como Property" for 2,000,000 shares of common stock. The company has the right, but not the obligation, to unwind the agreement if (1) the Como Property does not appraise at $2,000,000 or greater, (2) Hidden Splendor is unable to develop, work, lease or otherwise use the Como Property, to its sole satisfaction, within six months of the agreement or (3) there is a material misrepresentation in the representations in the Agreement. Shares have not been issued pursuant to this agreement as of this date.

FINANCIAL STABILITY

The company was incorporated in Nevada on July 13, 1990 as Franklin Capital, Inc. On October 17, 1991 the company changed its name to Wesco Auto Parts Corporation and again effected a name change on April 21, 1994, to Reddi Brake Supply Corporation. On March 17, 2008 the name was changed to America West Resources, Inc. In addition, on January 16, 2008, the board of directors and a majority of our shareholders increased the authorized stock from 100,000,000 to 200,000,000 shares.

In August 2007 all of the outstanding stock of Hidden Splendor was acquired for the issuance of an aggregate of 52,945,200 shares of common stock, representing 90% of the issued and outstanding company common stock after the acquisition. Prior to the acquisition of Hidden Splendor, America West Resources had no business activities. From an accounting standpoint, Hidden Splendor is deemed the acquirer in a reverse merger whereby the parent is deemed the survivor of the reorganization. As such, the financial statements are those of Hidden Splendor.

Effective January 25, 2009 the board of directors and holders of in excess of 50% of the issued and outstanding shares of common stock authorized an amendment to the company's Articles of Incorporation to (1) increase the number of authorized shares of common stock from 200,000,000 shares to 300,000,000 shares and (2) provide that the provisions of NRS 78.378 to 78.3793, inclusive (acquisition of controlling interest), are not applicable to the company. The company filed the amendment to its Articles of Incorporation with the Nevada Secretary of State on January 26, 2009.

On October 15, 2007 Hidden Splendor filed a Chapter 11 Petition in the United States Bankruptcy Court for the District of Nevada as a debtor in possession. Hidden Splendor's operations continued following the petition, and the company has operated as a Debtor in Possession. On December 8, 2008, Hidden Splendor's Plan of Reorganization (the "Plan") was formally confirmed by the U.S. Bankruptcy Court for the District of Nevada to emerge from Chapter 11 bankruptcy protection. The Plan became effective on December 19, 2008, at which time the subsidiary officially emerged from bankruptcy. In connection with the Plan, the company paid an initial $500,000 "administrative earmark contribution" payment and an initial $2,250,000

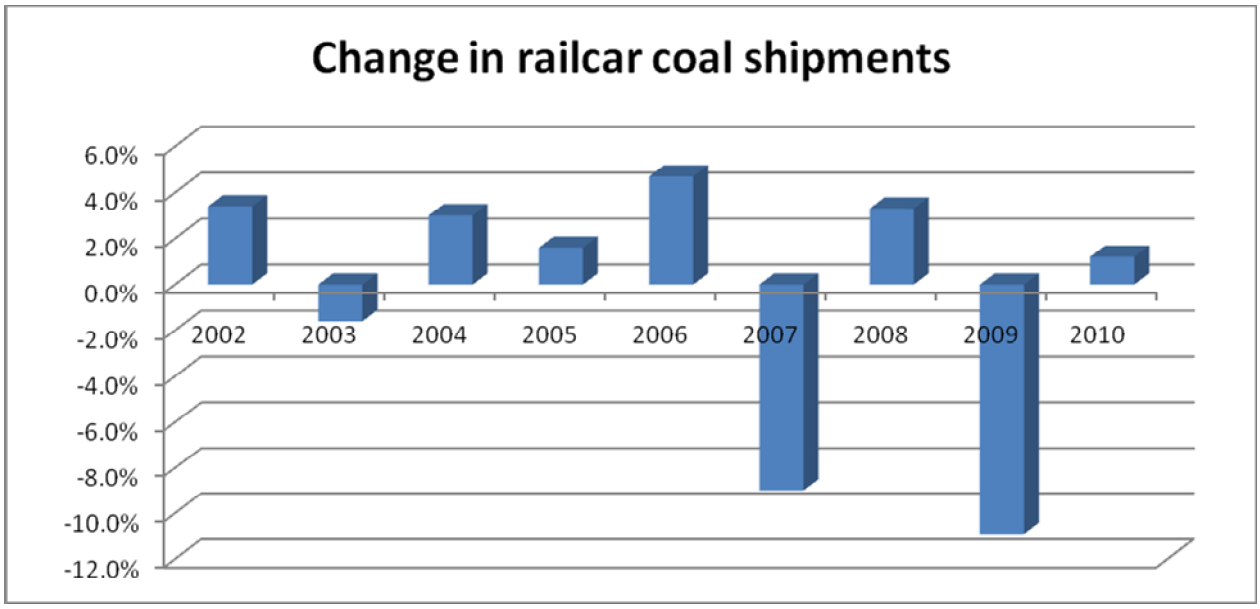
"Plan Funding Contribution" payment, which were allocated to the payment of professional fees, taxes, and initial settlement payments to various creditors. Additionally, the Plan provides for payments to creditors over time in an aggregate principal amount of not less than approximately $10,000,000 and up to approximately $10,700,000 over a period not exceeding seven years from the effective date of the Plan.

After all payments under the Plan are made, certain classified creditors will receive a total principal amount of approximately $8,300,000 as follows: (i) secured creditors will receive an aggregate principal amount of approximately $6,000,000 amortized in equal monthly installments of $94,879 per month, maintaining a lien on the Horizon Mine as collateral for the obligations; (ii) the Internal Revenue Service and certain State of Utah tax authorities will collectively receive an aggregate principal amount $1,800,000 amortized in equal quarterly payments of $162,156 to be paid over a period continuing to the earlier of sixty months from the petition date or forty-six months from the effective date of the Plan; and (iii) the Howard Kent, Inc. Profit Sharing Plan will receive an aggregate principal amount of $475,000 to be paid (A) in interest only payments at 8.1% for the first 24 months immediately following the effective date of the Plan, and (B) after 24 months of interest only payments, commencing in the 25th month immediately following the effective date of the Plan, in payments of both principal and interest fully amortizing for a period of an additional 24 months. Hidden Splendor is current on payments to its secured creditor as of the date of this Report. However, the delinquency on payments of other loans to third parties and as outlined herein result in Hidden Splendor being in default on its secured creditor loan. Hidden Splendor is delinquent on the $162,156 payment due March 31, 2010 to the Internal Revenue Service and the State of Utah tax authorities as of the date of this Report. Hidden Splendor is delinquent on approximately $15,000 of interest only payments to the Howard Kent, Inc. Profit Sharing Plan as of the date of this Report. The company is currently working to remedy the aforementioned defaults. As of the date of this Report, no parties had provided the company a notice default, nor has any party to the Plan filed a notice of default under the Plan.

INDUSTRY OUTLOOK

INDUSTRY OUTLOOK - NEUTRAL

Our outlook for the coal industry is neutral. Coal's primary consumers are electric power generators (accounting for more than 90% of total coal consumption in the U.S.), manufacturers of steel products, and other industrial users. Though recent trends indicate improvements in coal's supply/demand fundamentals, producers' ability to benefit from stronger prices is limited to the un-priced portions of their planned production levels. As a result, it will take quite a while before higher coal prices flow through to their bottom lines. The graph below shows annual changes in railcars shipping coal (Source: Association of American Railroads).



Growth follows economic activity even though electricity demand is weather dependant.

As a cheap source of plentiful fuel, coal is the principal source of energy for power generation. Coal accounted for roughly 51% of the total electricity generated in the U.S. in 2002, compared to 17% for natural gas and 21% for nuclear power. As the largest cost component in electricity generation, fuel cost is generally lower for coal than for other competing fuels, such as oil and natural gas. According to Resource Data International, the average total production cost of electricity in 2002 was roughly $4.85 per million kilowatt-hour (KWh) for oil-fired generators, roughly $4.42 per million KWh for natural gas-fired generators, and roughly $1.82 per million KWh for coal-fired generators. Coal's chief drawback is the high capital cost required to burn it due to material handling and pollution control requirements.

Higher natural gas and oil prices serve as an incentive for utilities to fully utilize their coal-fired generation capacity and dip into their considerable coal stockpiles. The harsh winter in most of the U.S. last year and continued strength in competing fuel prices helped increase coal consumption by power plants. This has steadily brought down utility stockpiles and put upward pressure on coal prices. However, since coal is typically supplied under long-term contracts, producers' ability to benefit from higher spot prices is limited, at least in the near to medium term.

U.S. coal production has roughly doubled in the last 30 years and reached 1.1 billion tons in 2002. The primary producing regions are the Powder River Basin (38% of total U.S. production), Central Appalachia (23%), the Illinois Basin (14%), North Appalachia (12%), the West (12%), and other areas (1%). However, not all coal is the same. Coal produced in the western U.S. and in Central Appalachia has the much desired feature of lower sulfur content compared to coal from North Appalachia and the Midwest. Further, western U.S. coal is produced through the less capital- and labor-intensive surface mining techniques. Western U.S. coal also has lower energy content, and the areas where it is produced are located far away from the main consumption centers in the East and the Midwest. The US has the largest, by far, recoverable reserves in the world.

The Clean Air Act's Acid Deposition Control section has led many operators of coal-fired power plants to shift to low-sulfur coal for generating electricity. This shift has driven significant changes in regional patterns of coal production and distribution. As a result, production in the higher-sulfur coal regions has declined, while production of low-sulfur sub-bituminous coal has increased. We believe that the utility industry would want coal to play a more meaningful role in the future. However, the continued lack of regulatory clarity, despite some positive steps taken by the current administration, has discouraged the utility industry from making significant investments in coal-fired generation capacity.

INDUSTRY POSITION

America West Resources is a very small company when compared to other coal companies.

VALUATION

There are over 15 coal companies that trade on US stock exchanges, many with market capitalizations above $5 billion. We have included in the peer group only those that have market capitalizations of less than $2.5 billion.

The company will still be in a development mode in the first part of 2011. In October 2011 the coal seam was blocked so Zacks has decided to use the estimates for 2012 as the base year and then discount the valuation by 50%. As the company moves into the production phase, we have greater visibility on earnings and the balance sheet improves, then we will lower the discount rate.

COMPARISON TABLE	Ticker	Price	Mkt	ROE	P/E	P/E	P/B	P/S	EV/Rev.	EV/EBITDA	PEG
(Source: Yahoo Finance)		10/27/11	Cap	(%)	L4Q	N4Q	LQ	L4Q	L4Q	L4Q	
			(in million)								
America West resources	**AWSR**	**$0.74**	**$44**	**NM**	**NM**	**NM**	**NM**	**3.90**	**NM**	**N/M**	**NA**
Cloud Peak Energy Inc.	CLD	$22.52	$1,350	29.04	10.87	10.52	2.01	0.91	1.32	5.82	0.37
Headwaters Inc.	HW	$1.97	$120	N/M	N/A	N/A	0.99	0.16	0.93	9.02	N/A
James River Coal Co.	JRCC	$10.50	$364	8.56	10.91	N/A	0.70	0.37	0.81	5.20	1.25
L & L Energy Inc.	LLEN	$2.48	$79	23.74	2.68	N/A	0.54	0.38	0.38	1.79	NA
Oxford Resource Partners LP	OXF	$18.01	$379	N/A	N/A	13.15	4.69	1.02	1.34	9.25	N/A
Patriot Coal Corp.	PCX	$11.76	$1,070	N/M	N/M	16.80	1.24	0.43	0.53	12.65	N/A
Puda Coal Inc.	PUDA	$0.38	$11	12.45	0.33	N/A	0.04	0.03	N/M	N/M	N/A
Mean				18.45	6.20	13.49	1.46	0.90	0.89	7.29	0.81
Median				18.10	6.78	13.15	0.99	0.41	0.87	7.42	0.81
Source : Yahoo Finance and Zacks Investment Research											

RISKS

- **The coal mining business is highly competitive.**
  Most of the competitors are well established, have greater financial, marketing, personnel and other resources, and have been in business for longer periods of time. Indeed, out of the nine coal mines in the State of Utah, Hidden Splendor is probably the smallest producer of coal in terms of production, reserves and available capital resources. America West Resources is a swing producer that customers use as a buffer to meet demand. These customers may increase or decrease their purchase of coal depending on the level of inventories.

  The company has no control over overall supply, demand or price of coal.

- **The characteristics of coal may make it difficult for coal users to comply with various environmental standards, which are continually under review by international, federal and**

state agencies related to coal combustion. As a result, they may switch to other fuels, which would adversely affect the sales of the coal industry. However, overseas markets are not impacted by US regulations.

Coal contains impurities, including sulfur, mercury, chlorine and other elements or compounds, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fired electric generating plants could increase the costs of using coal thereby reducing demand for coal as a fuel source, impacting the volume of coal sales and its price. Stricter regulations could make coal a less attractive fuel alternative in the planning and building of utility power plants in the future.

- **Government approval is essential. No approval means no mining.**
  The Horizon Mine is under the authority of an operating permit granted by the State of Utah Natural Resources Department, Division of Oil Gas and Mining ("DOGM"). Also, Hidden Splendor's mining operations are subject to approval from the U.S. Bureau of Land Management ("BLM"). In this regard, Hidden Splendor has filed a Resource Recovery and Protection Plan (known as a "R2P2") with the BLM and DOGM. The R2P2 details the Company's mining plan in connection with various requirements imposed by both the state and federal governmental entities.

- **Safety and Environmental Regulations. Many regulatory bodies govern operations.**
  All coal companies are subject to regulation primarily by federal and state authorities, on matters such as: air quality standards; reclamation and restoration activities involving mining properties; mine permits and other licensing requirements; water pollution; employee health and safety; the discharge of materials into the environment; management of materials generated by mining operations; storage of petroleum products; protection of wetlands and endangered plant and wildlife protection. Many of these regulations require registration, permitting, compliance, monitoring and self-reporting and may impose civil and criminal penalties for non-compliance.
  Additionally, the electric generation industry is subject to extensive regulation regarding the environmental impact of its power generation activities, which could affect demand for coal over time. The possibility exists that new legislation or regulations may be adopted or that the enforcement of existing laws could become more stringent, causing coal to become a less attractive fuel source and reducing the percentage of electricity generated from coal. Future legislation or regulation or more stringent enforcement of existing laws may have a significant impact on the company's mining operations or its customers' ability to use coal.

  While it is not possible to accurately quantify the expenditures incurred to maintain compliance with all applicable federal and state laws, those costs have been and are expected to continue to be significant. Federal and state mining laws and regulations require surety bonds to guarantee performance or payment of certain long-term obligations, including mine closure and reclamation costs, federal and state workers' compensation benefits, coal leases and other miscellaneous obligations. Compliance with these laws has substantially increased the cost of coal mining for domestic coal producers.

  The federal Clean Air Act and similar state and local laws that regulate air emissions affect coal mining directly and indirectly. Direct impacts on coal mining and processing operations include the Clean Air Act permitting requirements and/or emissions control requirements relating to particulate matter which may include controlling fugitive dust. The Clean Air Act also indirectly affects coal mining operations by extensively regulating the emissions of fine particulate matter measuring 2.5 micrometers in diameter or smaller, sulfur dioxide, nitrogen oxides, mercury and other compounds emitted by coal-fueled power plants and industrial boilers, which are the largest end-users of steam coal. Continued tightening of the already stringent regulation of emissions and regulation of additional emissions such as carbon dioxide or other greenhouse gases from coal-fueled power plants and industrial boilers could eventually reduce the demand for coal.

The Surface Mining Control and Reclamation Act, which referred to as SMCRA, establishes mining, environmental protection, reclamation and closure standards for all aspects of surface mining as well as many aspects of underground mining. Mining operators must obtain SMCRA permits and permit renewals from the Office of Surface Mining, (OSM), or from the applicable state agency, if the state agency has achieved primacy. A state agency may achieve primacy if the state regulatory agency develops a mining regulatory program that is no less stringent than the federal mining regulatory program under SMCRA.

SMCRA permit provisions include a complex set of requirements which include, among other things, coal prospecting; mine plan development; topsoil or growth medium removal and replacement; selective handling of overburden materials; mine pit backfilling and grading; disposal of excess spoil; protection of the hydrologic balance; subsidence control for underground mines; surface runoff and drainage control; establishment of suitable post mining land uses; and revegetation.

- **Natural events.**
  Earthquakes (Utah has some fault lines), underground floods and fire could impact mine operations and force a temporary closure with loss of production. Coal seams are not continuous. The coal seam may end and then restart a few feet away, it may be thicker at one point and thinner or lower at another. The rock has to be removed causing an expense with no revenue. Sections of the mine may no longer be economic to work. These factors may have a significant impact on profitability. Many of the aforementioned challenges are beyond managements control and/or are unpredictable. Any of, or a combination of, the aforementioned challenges for a prolonged period of time, will impact revenues and profitability, and cash flow may decrease, resulting in the inability to meet some or all of the company's financial obligations.

- **Financial problems**
  The business requires substantial capital investment and maintenance expenditures, which the company may be unable to provide. Cash flow from operations may not cover the equipment needs over the next few years, and the company may not be able to borrow the money.

INSIDER TRADING AND OWNERSHIP

None reported.

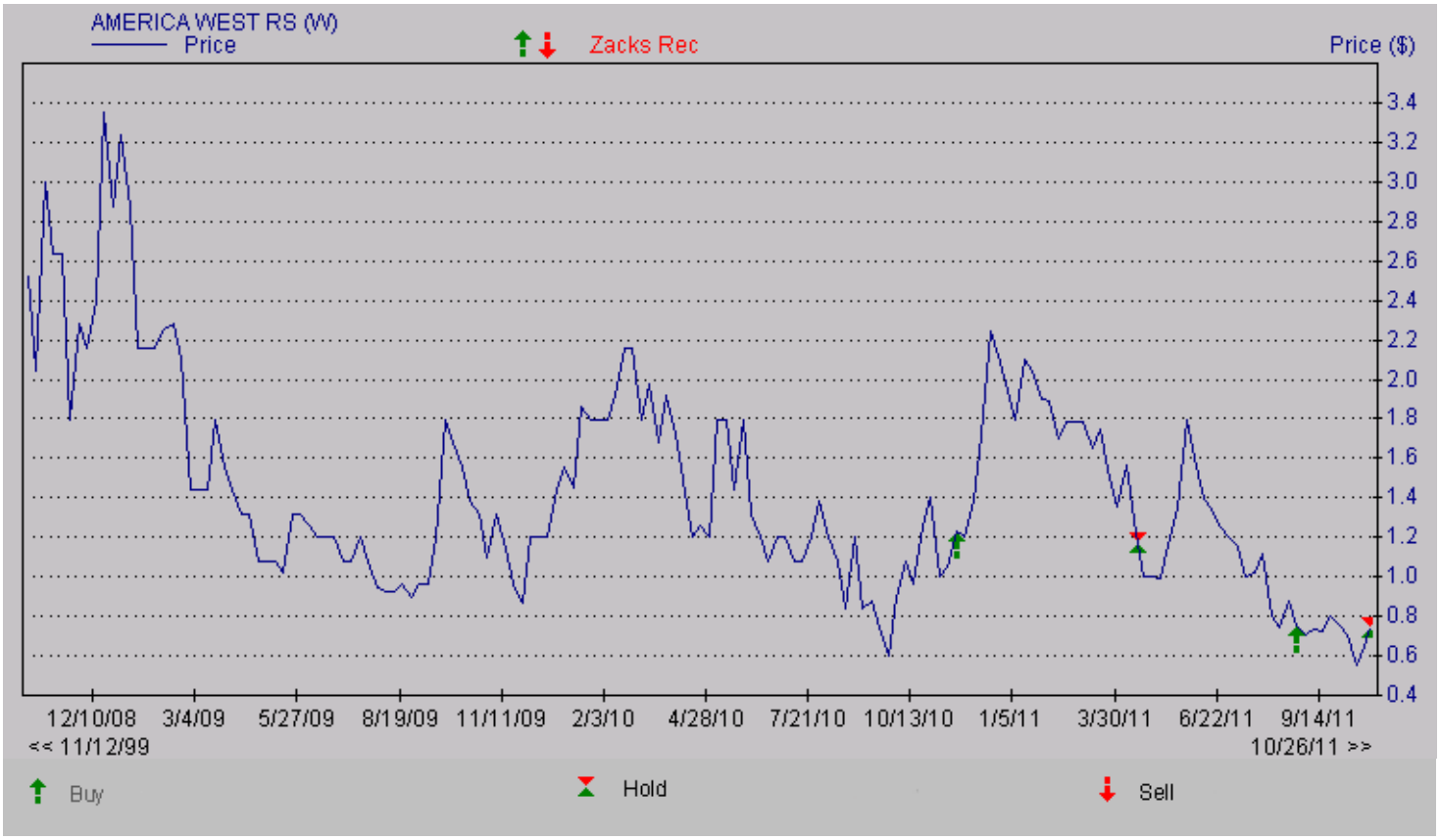
PROJECTED INCOME STATEMENT & BALANCE SHEET

America West Resources																		
Consolidated Statements of Operations																		
(Dollars in millions except per share data)																		
Fiscal Year Dec 31, as reported	2008	2009	1Q10	2Q10	3Q10	4Q10 A	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012	2013
		Act.					Act.	Act.	Act.			Est.					Est.	Est.
Net sales	**$7.30**	**$11.01**	**$1.10**	**$3.38**	**$2.83**	**$2.76**	**$10.07**	**$3.49**	**$4.01**	**$3.50**	**$3.50**	**$14.49**	**$3.00**	**$3.00**	**$3.50**	**$4.50**	**$14.00**	**$24.50**
% Change	0.00	50.73	(39.76)	24.14	(35.29)	32.17	(8.54)	216.64	18.44	23.76	26.98	43.94	(13.94)	(25.15)	0.00	28.57	(3.41)	75.00
Cost of Production & Services	4.85	10.23	2.33	2.80	3.14	(2.37)	5.89	2.15	3.19	3.00	3.80	12.14	4.00	3.80	3.60	2.48	13.88	14.70
G & A	5.89	6.52	1.88	1.65	2.62	2.58	8.73	2.06	2.04	1.90	2.00	8.00	2.00	2.00	2.00	2.00	8.00	8.70
Royalty expense	1.02	1.53	0.15	0.47	0.23	0.22	1.07	0.28	0.32	0.30	0.00	0.89	0.30	0.39	0.43	0.45	1.57	2.14
Depr. & Depln	0.34	0.00	0.00	0.00	0.22	2.63	2.85	0.43	0.55	0.50	0.70	.	0.70	0.70	0.70	1.00	3.10	0.00
Op Income GAAP	(4.87)	(7.33)	(3.37)	(1.54)	(3.38)	(0.20)	(8.49)	(1.43)	(2.10)	(2.20)	(3.00)	(8.72)	(4.00)	(3.89)	(3.23)	(1.42)	(12.54)	(1.04)
Interest Expenses	1.57	1.37	1.56	0.61	1.47	1.80	5.45	4.97	1.87	0.80	1.00	8.64	1.00	1.00	1.10	1.20	4.30	4.80
Interest Income	0.00	0.01	0.00	0.00	0.00	0.19	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Op Income	0.00	(0.26)	(0.18)	(3.05)	0.00	(0.49)	(3.71)	0.00	0.35	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.36	(1.28)	0.00	0.36	0.97	0.00	1.32	(0.57)	(0.25)	0.00	0.00	(0.81)	0.00	0.00	0.00	0.00	0.00	0.00
Calc.Pretax	(6.09)	(10.24)	(5.12)	(4.84)	(3.88)	(2.30)	(16.15)	(6.96)	(3.87)	(3.00)	(4.00)	(17.82)	(5.00)	(4.89)	(4.33)	(2.62)	(16.84)	(5.84)
Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(2.85)	(0.80)	(0.78)	(0.69)	(0.42)	(2.70)	(0.93)
Tax Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Other Income	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	0.00
Pro-forma adj.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.20	2.20	0.00	0.00	4.40	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	(6.09)	(10.24)	(5.12)	(4.84)	(3.88)	(2.30)	(16.15)	(6.96)	(3.87)	(3.00)	(4.00)	(17.82)	(4.20)	(4.11)	(3.64)	(2.20)	(14.15)	(4.91)
Costs and expenses are on a pro-forma basis																		
Net For Common	(6.09)	(10.24)	(5.12)	(4.84)	(3.88)	(2.30)	(16.15)	(6.96)	(3.87)	(3.00)	(4.00)	(17.82)	(4.20)	(4.11)	(3.64)	(2.20)	(14.15)	(4.91)
Shares Used, millions	9.06	16.61	21.80	23.80	26.93	29.17	26.00	34.65	44.43	60.00	60.00	49.77	60.00	60.00	60.00	60.00	60.00	60.00
Earnings Per Share																		
EPS	**($0.67)**	**($0.62)**	**($0.23)**	**($0.20)**	**($0.14)**	**($0.08)**	**($0.62)**	**($0.20)**	**($0.09)**	**($0.05)**	**($0.07)**	**($0.36)**	**($0.07)**	**($0.07)**	**($0.06)**	**($0.04)**	**($0.24)**	**($0.08)**
Pro Forma EPS	**($0.48)**	**($0.58)**	**($0.18)**	**($0.12)**	**($0.08)**	**($0.24)**	**($0.62)**	**($0.14)**	**($0.04)**	**($0.05)**	**($0.07)**	**($0.27)**	**($0.07)**	**($0.07)**	**($0.06)**	**($0.04)**	**($0.24)**	**($0.08)**
EPS data for 2010 have been adjusted for accounting changes.																		

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America West Resources Inc.							
Consolidated Balance Sheet (in millions)							
Fiscal Year Dec 31, as reported							
	4Q09	**2Q10**	**3Q10**	**4Q10 A**		**1Q11**	**2Q11**
ASSETS				Act.			
Cash & Equiv.	0.660	0.070	0.014	0.069		0.285	0.006
A/R	0.802	0.813	0.141	0.467		0.674	0.676
Inventories	0.044	0.637	0.586	0.136		0.237	0.010
Other	0.097	0.233	0.297	0.658		1.273	0.999
Total current assets	1.604	1.753	1.038	1.330		2.469	1.691
Gross Plant	25.307	15.652	16.170	21.340		25.375	37.886
Deprn	9.400	0.000	0.000	0.000		0.000	10.420
Investments	0.000	0.000	0.000	0.000		0.000	0.927
Intangibles	0.000	0.000	0.000	0.000		0.000	0.000
Other	0.077	0.102	0.344	0.804		0.305	0.000
All Assets	17.587	17.507	17.552	23.474		28.149	30.084
LIABILITIES AND NET WORTH							
Debt Due 1 Yr	15.017	17.092	19.097	21.073		10.606	9.898
Notes Payable	0.642	0.000	0.000	0.000		0.000	3.110
A/P	3.058	3.088	2.778	3.077		3.262	4.649
Taxes	0.000	0.000	0.000	0.000		0.000	0.000
Other	5.759	8.104	5.167	7.185		5.287	5.197
Total current liabilities	24.475	28.284	27.042	31.335		19.155	22.854
Conv. Debt	0.000	0.000	0.000	0.000		0.000	0.000
L.T.Debt	0.475	0.475	1.264	1.114		7.736	6.342
Other LT	0.000	0.000	0.000	0.000		0.000	1.018
Def. Taxes & ITC	0.000	0.000	0.000	0.000		0.000	0.000
Other	0.157	0.181	0.193	0.134		0.135	0.135
All Liabilities	25.108	28.940	28.500	32.583		27.036	30.349
Pref.Stock	0.000	0.000	0.000	0.000		0.000	0.000
Common Stock	0.025	0.031	0.003	0.003		0.004	0.004
Surplus	15.415	20.833	25.232	29.994		46.746	49.190
Retained Earnings	-22.961	-32.298	-36.183	-39.107		-45.637	-49.459
Other	0.000	0.000	0.000	0.000		0.000	0.000
Treasury Stock	0.000	0.000	0.000	0.000		0.000	0.000
Net Worth	-7.520	-11.434	-10.948	-9.110		1.113	-0.265
Total liabilities & stockholders' equity	17.587	17.506	17.552	23.473		28.149	30.084

HISTORICAL ZACKS RECOMMENDATIONS



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