

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## American Resources Corp

**Form: 10-K**

**Date Filed: 2020-05-29**

Corporate Issuer CIK: 1590715

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

☒ ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2019**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **000-55456**

**AMERICAN RESOURCES CORPORATION**

*(Exact Name of Registrant as specified in its charter)*

**Florida**

*(State or jurisdiction of Incorporation or organization)*

**46-3914127**

*(I.R.S Employer Identification No.)*

**12115 Visionary Way Fishers, Indiana**

*(Address of principal executive offices)*

**46038**

*(Zip Code)*

Registrant's telephone number, including area code: **317-855-9926**

Securities registered under Section 12(b) of the Exchange Act: Title of each class Name of each exchange on which registered

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common	AREC	NASDAQ Capital Market

**Securities registered under Section 12(g) of the Exchange Act**

**Common Stock, \$0.0001 par value**

*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation s-K (§ 229.405 of this chapter) is not contained herein and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐  
Non-accelerated filer ☐  
(Do not check if a smaller company)

Accelerated filer ☐  
Smaller reporting company ☒  
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which

the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$30,625,083.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

The number of shares outstanding of the issuer's Common Stock, \$.0001 par value, as of May 29, 2020 was 26,030,512 shares.

#### DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the documents is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

NONE

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**AMERICAN RESOURCES CORPORATION**  
**ANNUAL REPORT ON FORM 10-K**  
**Fiscal Year Ended December 31, 2019**  
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**Special Note Regarding Forward Looking Statements.**

This annual report on Form 10-K of American Resources Corporation for the year ended December 31, 2019 contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. To the extent that such statements are not recitations of historical fact, such statements constitute forward looking statements which, by definition involve risks and uncertainties. In particular, statements under the Sections; Description of Business, Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward looking statements. Where in any forward-looking statements, the Company expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished.

The following are factors that could cause actual results or events to differ materially from those anticipated and include but are not limited to: general economic, financial and business conditions; the price of metallurgical coal and or thermal coal changes in and compliance with governmental regulations; changes in tax laws; and the cost and effects of legal proceedings.

You should not rely on forward looking statements in this annual report. This annual report contains forward looking statements that involve risks and uncertainties. We use words such as "anticipates," "believes," "plans," "expects," "future," "intends," and similar expressions to identify these forward-looking statements. Prospective investors should not place undue reliance on these forward-looking statements, which apply only as of the date of this annual report. Our actual results could differ materially from those anticipated in these forward-looking statements.

**PART I****Item 1. Business.****Overview**

When we formed our company, our focus was to (i) construct and/or purchase and manage a chain of combined gasoline, diesel and natural gas (NG) fueling and service stations (initially, in the Miami, FL area); (ii) construct conversion factories to convert NG to liquefied natural gas (LNG) and compressed natural gas (CNG); and (iii) construct conversion factories to retrofit vehicles currently using gasoline or diesel fuel to also run on NG in the United States and also to build a convenience store to serve our customers in each of our locations.

On January 5, 2017, American Resources Corporation (ARC or the Company) executed a Share Exchange Agreement between the Company and Quest Energy Inc. (Quest Energy), a private company incorporated in the State of Indiana on May 2015 with offices at 9002 Technology Lane, Fishers, IN 46038, and due to the fulfillment of various conditions precedent to closing of the transaction, the control of the Company was transferred to the Quest Energy shareholders on February 7, 2017. This transaction resulted in Quest Energy becoming a wholly-owned subsidiary of ARC. Through Quest Energy, ARC was able to acquire coal mining and coal processing operations, substantially all located in eastern Kentucky.

Quest Energy currently has six coal mining and processing operating subsidiaries: McCoy Elkhorn Coal LLC (doing business as McCoy Elkhorn Coal Company) (McCoy Elkhorn), Knott County Coal LLC (Knott County Coal), Deane Mining, LLC (Deane Mining) and Wyoming County Coal LLC (Wyoming County), Quest Processing LLC (Quest Processing), Perry County Resources (Perry County) located in eastern Kentucky and western West Virginia within the Central Appalachian coal basin, and ERC Mining Indiana Corporation (ERC) located in southwest Indiana within the Illinois coal basin. The coal deposits under control by the Company are generally comprise of metallurgical coal (used for steel making), pulverized coal injections (used in the steel making process) and high-BTU, low sulfur, low moisture bituminous coal used for a variety of uses within several industries, including industrial customers, specialty products and thermal coal used for electricity generation.

Historic Metallurgical Coal Prices		Historic CAPP Thermal Coal Prices	
Year End	Hampton Road Index HCC - High	Year End	Big Sandy / Kanawha Rate District
2013	\$110.30	2013	\$64.09
2014	\$100.35	2014	\$56.00
2015	\$80.25	2015	\$45.55
2016	\$223.00	2016	\$50.65
2017	\$210.00	2017	\$60.90
2018	\$205.34	2018	\$68.12
2019	\$135.00	2019	\$60.30

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**McCoy Elkhorn Coal LLC**

*General:*

Located primarily within Pike County, Kentucky, McCoy Elkhorn is currently comprised of two active mines (Mine #15 and the Carnegie 1 Mine), one mine in “hot idle” status (the PointRock Mine), two coal preparation facilities (Bevins #1 and Bevins #2), and other mines in various stages of development or reclamation. McCoy Elkhorn sells its coal to a variety of customers, both domestically and internationally, primarily to the steel making industry as a high-vol “B” coal or blended coal. The coal controlled at McCoy Elkhorn (along with our other subsidiaries) has not been classified as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7.

*Mines:*

Mine #15 is an underground mine in the Millard (also known as Glamorgan) coal seam and located near Meta, Kentucky. Mine #15 is mined via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the stockpile to McCoy Elkhorn’s coal preparation facility. Mine #15 is currently a “company run” mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The coal from Mine #15 is stockpiled at the mine site and belted directly to the Company’s nearby coal preparation facilities. Production at Mine #15 re-commenced under Quest Energy’s ownership in September 2016. Mine #15 has the estimated capacity to produce up to approximately 40,000 tons per month of coal. The Company acquired Mine #15 as an idled mine, and since acquisition, the primary work completed at Mine #15 by the Company includes changing working sections within the underground mine, air ventilation enhancements primarily through brattice work and the use of overcasts and installing underground mining infrastructure as the mine advances due to coal extraction. In 2019, Mine #15 produced approximately 124,740 tons and sold the coal at an average price of \$76.40 per ton. In 2018, Mine #15 produced approximately 199,408 tons and sold the coal at an average price of \$84.21 per ton. During 2019 and 2018, 100% and 100%, respectively, of the coal extracted from Mine #15 was high-vol “B” metallurgical coal quality, of which 100% and 100%, respectively, was sold into the metallurgical market.

The Carnegie 1 Mine is an underground mine in the Alma and Upper Alma coal seams and located near Kimper, Kentucky. In 2011, coal production from the Carnegie 1 Mine in the Alma coal seam commenced and then subsequently the mine was idled. Production at the Carnegie 1 Mine was reinitiated in early 2017 under Quest Energy’s ownership and is currently being mined via room-and-pillar mining methods utilizing a continuous miner. The coal is stockpiled on-site and trucked approximately 7 miles to McCoy Elkhorn’s preparation facilities. The Carnegie 1 Mine is currently a “company run” mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The Carnegie 1 Mine has the estimated capacity to produce up to approximately 10,000 tons per month of coal. The Company acquired the Carnegie 1 Mine as an idled mine, and since acquisition, the primary work completed at the Carnegie 1 Mine by the Company includes mine rehabilitation work in preparation for production, changing working sections within the underground mine, air ventilation enhancements primarily through brattice work, and installing underground mining infrastructure as the mine advances due to coal extraction. In 2019, the Carnegie 1 Mine produced approximately 4,276 tons and sold the coal at an average price of \$76.40 per ton. In 2018, the Carnegie 1 Mine produced approximately 8,315 tons and sold the coal at an average price of \$84.21. During 2019 and 2018, 100% and 100%, respectively, of the coal extracted from the Carnegie 1 Mine was high-vol “B” metallurgical coal quality, of which 100% and 100%, respectively was sold into the metallurgical market.



Quest Energy acquired the PointRock Mine in April 2018. On May 8, 2020, the PointRock Mine permits were released from the Company's control upon the settlement agreement with Empire.

Beginning in January 2020 through the report date, Mine #15 and Carnegie 1 mines were idled due to the adverse market effects Covid-19 global pandemic.

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*Processing & Transportation:*

The Bevins #1 Preparation Plant is an 800 ton-per hour coal preparation facility located near Meta, Kentucky, across the road from Mine #15. Bevins #1 has raw coal stockpile storage of approximately 25,000 tons and clean coal stockpile storage of 100,000 tons of coal. The Bevins #1 facility has a fine coal circuit and a stoker circuit that allows for enhance coal recovery and various coal sizing options depending on the needs of

the customer. The Company acquired the Bevins Preparation Plants as idled facilities, and since acquisition, the primary work completed at the Bevins Preparation Plants by the Company includes rehabilitating the plants' warehouse and replacing belt lines.

The Bevins #2 Preparation Plant is on the same permit site as Bevins #1 and is a 500 ton-per-hour processing facility with fine coal recovery and a stoker circuit for coal sizing options. Bevins #2 has raw coal stockpile storage of 25,000 tons of coal and a clean coal stockpile storage of 45,000 tons of coal. We are currently utilizing less than 10% of the available processing capacity of Bevins #1 and Bevins #2.

Both Bevins #1 and Bevins #2 have a batch-weight loadout and rail spur for loading coal into trains for rail shipments. The spur has storage for 110 rail cars and is serviced by CSX Transportation and is located on CSX's Big Sandy, Coal Run Subdivision. Both Bevins #1 and Bevins #2 have coarse refuse and slurry impoundments called Big Groundhog and Lick Branch. While the Big Groundhog impoundment is nearing the end of its useful life, the Lick Branch impoundment has significant operating life and will be able to provide for coarse refuse and slurry storage for the foreseeable future at Bevins #1 and Bevins #2. Coarse refuse from Bevins #1 and Bevins #2 is belted to the impoundments. Both Bevins #1 and Bevins #2 are facilities owned by McCoy Elkhorn, subject to certain restrictions present in the agreement between McCoy Elkhorn and the surface land owner.

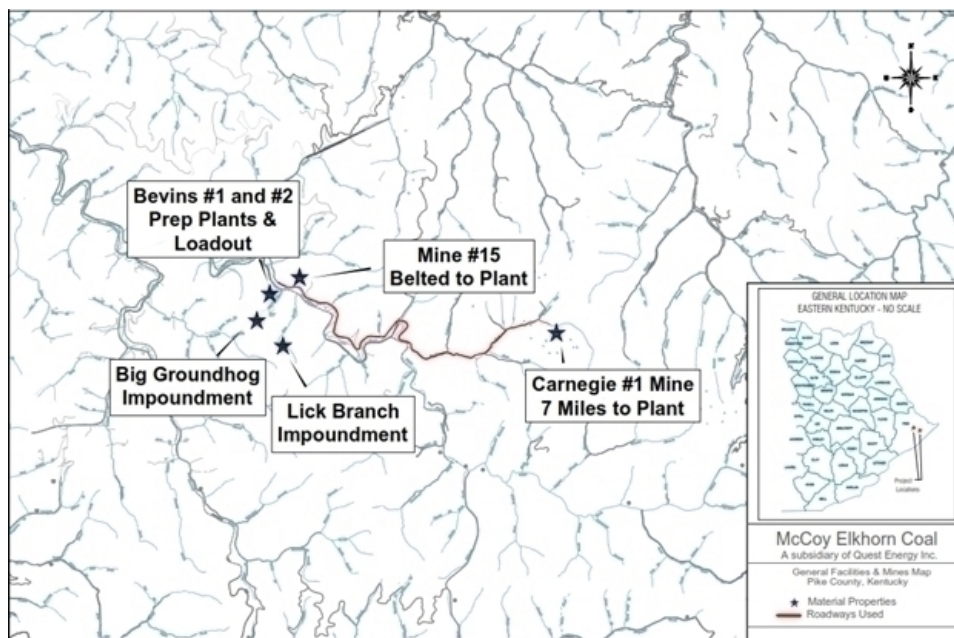
Both Bevins #1 and Bevins #2, as well as the rail loadout, are operational and any work required on any of the plants or loadouts would be routine maintenance. The allocated cost of for this property at McCoy Elkhorn Coal paid by the company is \$95,210.

Due to additional coal processing storage capacity at Bevins #1 and Bevins #2 Preparation Plants, McCoy Elkhorn processes, stores, and loads coal for other regional coal producers for an agreed-to fee.

#### *Additional Permits:*

In addition to the above mines, McCoy Elkhorn holds 11 additional coal mining permits that are idled operations or in various stages of reclamation. For the idled coal mining operations, McCoy Elkhorn will determine which coal mines to bring back into production, if any, as the coal market changes, and there are currently no other idled mines within McCoy Elkhorn that are slated to go into production in the foreseeable future. Any idled mines that are brought into production would require significant upfront capital investment, and there is no assurance of the feasibility of any such new operations.

Below is a map showing the material properties at McCoy Elkhorn:



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**Knott County Coal LLC**

*General:*

Located primarily within Knott County, Kentucky (but with additional idled permits in Leslie County, Perry County, and Breathitt County, Kentucky), Knott County Coal is comprised of one active mine (the Wayland Surface Mine) and 22 idled mining permits (or permits in reclamation), including the permits associated with the idled Supreme Energy Preparation Plant. The idled mining permits are either in various stages of planning, idle status or reclamation. The idled mines at Knott County Coal are primarily underground mines that utilize room-and-pillar mining. The coal controlled at Knott County Coal (along with our other subsidiaries) has not been classified as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7.

*Mines:*

The Wayland Surface Mine is a surface waste-rock reprocessing mine in a variety of coal seams (primarily the Upper Elkhorn 1 coal seam) located near Wayland, Kentucky. The Wayland Surface Mine is mined via area mining through the reprocessing of previously processed coal, and the coal is trucked approximately 22 miles to the Mill Creek Preparation Plant at Deane Mining, where it is processed and sold. The Wayland Surface Mine is currently a “company run” mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. During June 2018, production at the Wayland Surface Mine commenced under Quest Energy’s ownership. The associated permit was purchased during May 2018. Since acquisition, the primary work completed at the Wayland Surface Mine has been removing overburden to access the coal. The Wayland Surface Mine has the estimated capacity to produce up to approximately 15,000 tons per month of coal and started production in mid-2018 with nominal coal extracted and sold as thermal coal. In 2019, the Wayland Surface Mine produced approximately 45,505 tons and sold the coal at an average price of \$61.45 per ton. In 2018, the first year of the mine’s production, the Wayland Surface Mine produced approximately 49,407 tons and sold the coal at an average price of \$58.90 per ton.

Other potential customers of Knott County Coal include industrial customers, specialty customers and utilities for electricity generation, although no definitive sales have been identified yet.

*Processing & Transportation:*

The idled Supreme Energy Preparation Plant is a 400 ton-per-hour coal preparation facility with a fine coal circuit located in Kite, Kentucky. The Bates Branch rail loadout associated with the Supreme Energy Preparation Plant is a batch-weigh rail loadout with 220 rail car storage capacity and serviced by CSX Transportation in their Big Sandy rate district. The coarse refuse is trucked to the Kings Branch impoundment, which is approximately one mile from the Supreme Energy facility. The slurry from coal processing is piped from the Supreme Energy facility to the Kings Branch impoundment.

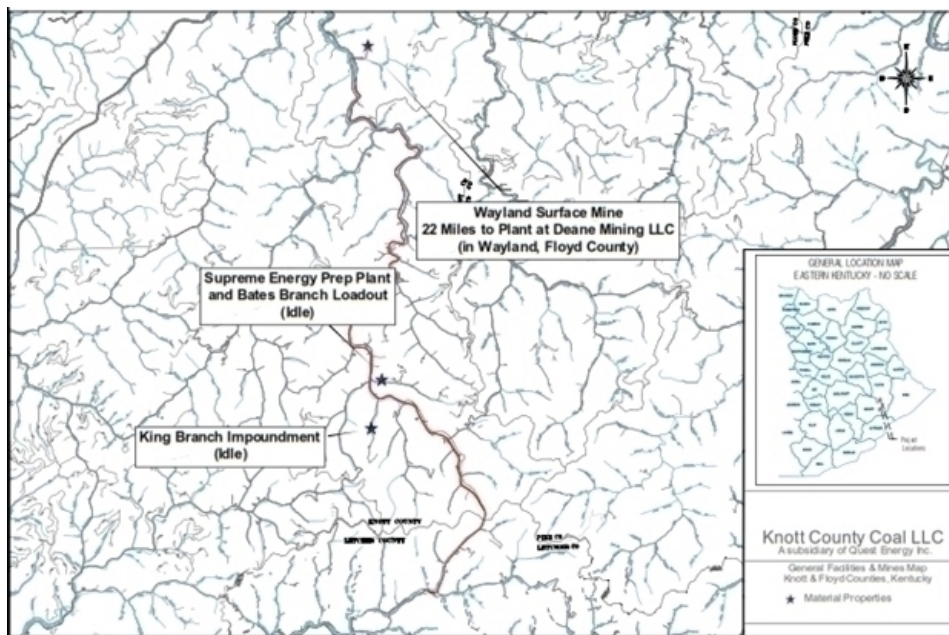
The Supreme Energy Preparation Plant is owned by Knott County Coal, subject to certain restrictions present in the agreement between Knott County Coal and the surface land owner, Land Resources & Royalties LLC.

The Company acquired the Supreme Energy Preparation Plants as an idled facility, and since acquisition, no work has been performed at the facility other than minor maintenance. Both the Supreme Energy Preparation Plant and the rail loadout are idled and would require an undetermined amount of work and capital to bring them into operation. The allocated cost of for the property at Knott County Coal paid by the Company is \$286,046.

*Additional Permits:*

In addition to the above mines, Knott County Coal holds 20 additional coal mining permits that are in development, idled or in various stages of reclamation. Any idled mines that are brought into production would require significant upfront capital investment and there is no assurance of the feasibility of any such new operations.

Below is a map showing the location of the idled Supreme Energy Prep Plant, Raven Prep Plant, Loadouts, and plant impoundments at Knott County Coal:



### **Deane Mining LLC**

#### *General:*

Located within Letcher County and Knott County, Kentucky, Deane Mining LLC is comprised of one active underground coal mine (the Access Energy Mine), one active surface mine (Razorblade Surface) and one active coal preparation facility called Mill Creek Preparation Plant, along with 12 additional idled mining permits (or permits in reclamation). The idled mining permits are either in various stages of development, reclamation or being maintained as idled, pending any changes to the coal market that may warrant re-starting production. The coal controlled at Deane Mining (along with our other subsidiaries) has not been classified as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7.

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### *Mines:*

Access Energy is a deep mine in the Elkhorn 3 coal seam and located in Deane, Kentucky. Access Energy is mined via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the mine to the raw coal stockpile at the Mill Creek Preparation Plant across the road from Access Energy. Access Energy is currently a “company run” mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The Company acquired Access Energy as an idled mine, and since acquisition, the primary work completed at Access Energy by the Company includes mine rehabilitation work in preparation for production, air ventilation enhancements primarily through brattice work, and installing underground mining infrastructure as the mine advances due to coal extraction. Access Energy has the estimated capacity to produce up to approximately 20,000 tons per month of coal. In 2019, Access Energy produced approximately 86,077.75 tons and sold the coal at an average price of \$61.45 per ton. In 2018, Access Energy produced approximately 125,705 tons and sold the coal at an average price of \$65.88 per ton. During 2019, 17% of the coal sold from Access Energy was sold as PCI coal and 83% was sold as thermal coal. During 2018, 100% of the coal sold from Access Energy was sold as thermal coal, respectively. During 2019, the permit related to the Access Energy mine was idled and is not expected to produce again under the Company’s control due to the continued focused on the metallurgical and industrial markets.

Razorblade Surface is a surface mine currently mining the Hazard 4 and Hazard 4 Rider coal seams and located in Deane, Kentucky. Razorblade Surface is mined via contour, auger, and highwall mining methods, and the coal is stockpiled on site where it trucked to the Mill Creek Preparation Plant approximately one mile away for processing. Razorblade Surface is run as both a contractor mine and as a “company run” mine for coal extraction and began extracting coal in spring of 2018. Coal produced from Razorblade Surface is trucked approximately one mile to the Mill Creek Preparation Plant. The Company acquired the Razorblade Surface mine as a new, undisturbed mine, and since acquisition, the primary work completed at Razorblade Surface has been some initial engineering work and removing overburden to access the coal. Razorblade Surface mine has the estimated capacity to produce up to approximately 8,000 tons per month of coal and started production in mid-2018 with nominal coal extracted and sold as thermal coal. In 2019, Razorblade Surface produced approximately 13,433.30 tons and sold the coal at an average price of \$61.45 per ton. 100% of the coal sold from Razorblade Surface in 2019 was sold as thermal coal. In 2018, the first year of the mine’s production, Razorblade Surface produced approximately 18,943 tons and sold the coal at an average price of \$58.80 per ton. 100% of the coal sold from Razorblade Surface in 2018 was sold as thermal coal. During 2019, the permit related to the Access Energy mine was idled and is not expected to produce again under the Company’s control due to the continued focused on the metallurgical and industrial markets.

The coal production from Deane Mining LLC is currently sold a utility located in southeast United States under a contract that expired December 2018 and extended until June 2019, along with coal sold in the spot market. Deane Mining is in discussions with various customers to sell additional production from Access Energy, Razorblade, and Wayland Surface mines, combined with other potential regional coal production, as pulverized coal injection (PCI) to steel mills, industrial coal, and thermal coal to other utilities for electricity generation. Upon expiration of the term business the Deane Mining complex was idled.

Beginning in July 2019 and through the report date, the Access Energy and Razorblade Surface mines were idled due to the company’s continued focus on monetizing metallurgical and industrial coal assets.

### *Processing & Transportation:*

The Mill Creek Preparation Plant is an 800 ton-per-hour coal preparation facility located in Deane, Kentucky. The associated RapidLoader rail loadout is a batch-weight rail loadout with 110 car storage capacity and services by CSX Transportation in their Big Sandy and Elkhorn rate districts. The Mill Creek Preparation Plant is owned by Deane Mining, subject to certain restrictions present in the agreement between Deane Mining and the surface land owner, Land Resources & Royalties LLC. We are currently utilizing less than 10% of the available processing capacity of the Mill Creek Preparation Plant.

Both the Mill Creek Preparation Plant and the rail loadout are operational, and any work required on any of the plant or loadouts would be routine maintenance. The allocated cost of for the property at Deane Mining paid by the Company is \$1,569,641.

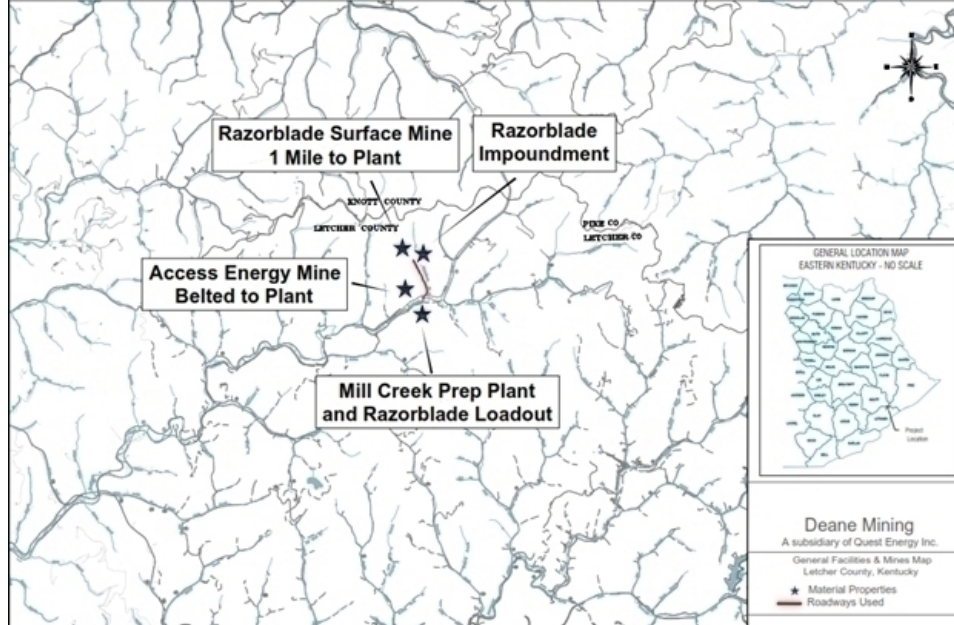
*Additional Permits:*

In addition to the above mines and preparation facility, Deane Mining holds 12 additional coal mining permits that are in development, idled or in various stages of reclamation. Any idled mines that are brought into production would require significant upfront capital investment and there is no assurance of the feasibility of any such new operations.

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Below is a map showing the material properties at Deane Mining:





### **Wyoming County Coal LLC**

#### *General:*

Located within Wyoming County, West Virginia, Wyoming County Coal is comprised of two idled underground mining permits and the three permits associated with the idled Pioneer Preparation Plant, the Hatcher rail loadout, and Simmons Fork Refuse Impoundment. The two idled mining permits are undisturbed underground mines that are anticipated to utilize room-and-pillar mining. The coal controlled at Wyoming County Coal (along with our other subsidiaries) has not been classified as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7.

#### *Mines:*

The mining permits held by Wyoming County Coal are in various stages of planning with no mines currently in production.

Potential customers of Wyoming County Coal would include steel mills in the United States or international marketplace although no definitive sales have been identified yet.

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#### *Processing & Transportation:*

The idled Pioneer Preparation Plant is a 350 ton-per-hour coal preparation facility located near Oceana, West Virginia. The Hatcher rail loadout associated with the Pioneer Preparation Plant is a rail loadout serviced by Norfolk Southern Corporation. The refuse from the preparation facility is trucked to the Simmons Fork Refuse Impoundment, which is approximately 1.0 mile from the Pioneer Preparation facility. The preparation plant utilizes a belt press technology which eliminates the need for pumping slurry into a slurry pond for storage within an impoundment.

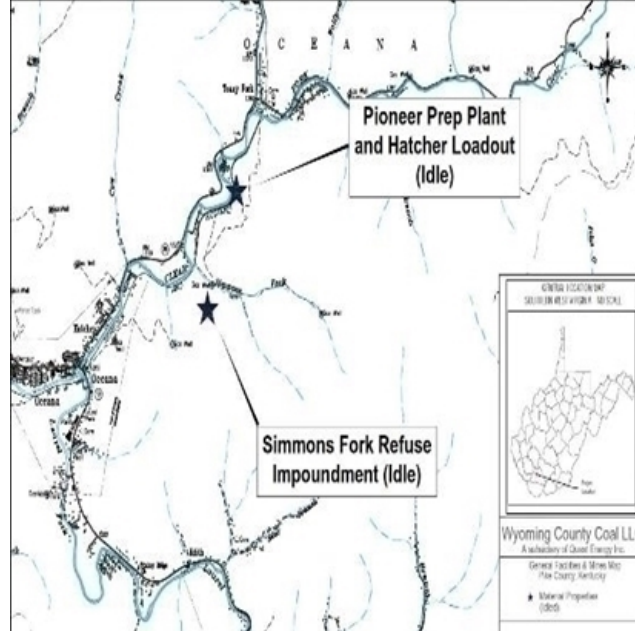
The Company is in the initial planning phase of getting estimates on the cost to upgrade the preparation facility to a modern 350 ton per hour preparation facility, although no cost estimates have yet been received. The Company is also in the initial planning phase of getting estimates on the cost and timing of upgrading the rail load out facility to a modern batch weight load out system, although no cost estimates have yet been received.

The Company acquired the Pioneer Preparation Plants as an idled facility, and since acquisition, no work has been performed at the facility. Both the Pioneer Preparation Plant and the rail loadout are idled and would require an undetermined amount of work and capital to bring them into operation, which is currently in the initial phases of planning and no cost estimates have been received. The allocated cost for the property at Wyoming County Coal will pay by the Company is \$22,326,101 of which \$22,091,688 has been paid using shares of the Company's Class A Common stock. The remaining portion is to be paid from cash.

#### *Permits:*

Wyoming County Coal holds two coal mining permits that are in the initial planning phase and three permits associated with the idled Pioneer Preparation Plant, the Hatcher rail loadout, and Simmons Fork Refuse Impoundment. Any mine that is brought into production would require significant upfront capital investment and there is no assurance of the feasibility of any such new operations. As of the report date, the permits have not been fully transferred as they await final regulatory approval. On September 20, 2019 Wyoming County received a Notice of Breach of the asset purchase agreement between WCC and Synergy Coal, LLC due to consideration of \$225,000 not being paid, failure to file for permit transfers and pay delinquent transfer fees of \$10,500 and other contract breaches, including failure to transfer reclamation surety bonds. Subsequent to the balance sheet date, WCC has paid the delinquent transfer fees and has filed for permit transfer. As a result of these steps, the seller notified us on May 17, 2020 that all breaches were cured. As of the balance sheet date and report date, the West Virginia permit transfers have not yet been approved, the seller has not been paid cash amounts due, and WCC has not substituted its reclamation surety bonds for the seller's bond collateral. The transfer of any new permits to the Company is subject to regulatory approval. This approval is subject to the review of both unabated or uncorrected violations that are listed on the Applicator Violator List. The Company, to include several of its subsidiaries, does have unabated and/or uncorrected violations that are listed on the Applicator Violator List. Should the state regulators believe that the Company is not in the process of abating or correcting the currently outstanding issues associated with their currently held permits they may choose not to issue the Company any new permits until such issues are properly rectified.

Below is a map showing the location of the idled Pioneer Prep Plant, Hatcher rail Loadout, and Simmons Fork Refuse Impoundment at Wyoming County Coal:



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**Perry County Resources LLC**

*General:*

Located primarily within Perry County, Kentucky, Perry County Resources LLC is comprised of one active underground mine (the E4-2 mine) and one active coal processing facility called the Davidson Branch Preparation Plant, along with two additional idled underground mining permits. The two idled mining permits are for underground mines and have been actively mined in the past and being maintained as idled, pending any changes to the coal market that may warrant re-starting production. The coal controlled at Perry County Resources (along with our other subsidiaries) has not been classified as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7.

*Mines:*

The E4-2 mine is an underground mine in the Elkhorn 4 (aka the Amburgy) coal seam located near the town of Hazard, Kentucky. The E4-2 mine is mined via room-and-pillar mining methods using both continuous miners and continuous haulage systems, and the coal is belted directly from the mine to the raw coal stockpile at the Davidson Branch Preparation Plant less than a mile away. The E4-2 mine is currently a “company-run” mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The Company acquired the E4-2 mine as an active mine, and since acquisition in September 2019, the primary work at the E4-2 mine has been rehabilitation of existing infrastructure to increase the operational efficiencies of the mine, including replacing belt structure, repairing equipment, replacing underground mining infrastructure, and installing new mining infrastructure as the mine advances due to coal extraction. The E4-2 mine has the estimated capacity to produce up to approximately 80,000 tons per month of coal.

In 2019, during the period of ownership by the Company, the E4-2 mine produced approximately 45,282.78 and sold the coal at an average price of \$81.37. During the period of ownership by the Company, 97% of the coal sold was sold as PCI with the remaining 3% being sold as industrial stoker.

Beginning in January 2020 through the report date, The E4-2 mine was idled due to the adverse market effects Covid-19 global pandemic.

*Processing and Transportation:*

The Davidson Branch Preparation Plant is a 1,300 ton-per-hour coal preparation facility located near Hazard, Kentucky. The associated "Bluegrass 4" rail loadout is a batch-weight rail loadout with 135 car storage capacity and services by CSX Transportation in their Hazard/Elkhorn rate district. The Davidson Branch Preparation Plant is owned by Perry County Resources. We are currently utilizing less than 10% of the available processing capacity of the Davidson Branch Preparation Plant.

Both the Davidson Branch Preparation Plant and the rail loadout are operational, and any work required on any of the plant or loadouts would be routine maintenance. The allocated cost of for the property at Perry County Resources paid by the Company is \$1,954,317.

*Additional Permits:*

In addition to the above mine, preparation facility, and related permits, Perry County Resources holds four additional coal mining permits that are idled or in development. Any idled mines that are brought into production would require significant upfront capital investment and there is no assurance of the feasibility of any such new operations. Three of the idled permits were sold to an unrelated entity on March 4, 2020 for \$700,000 cash and \$300,000 of value for equipment. As of the report date, the permits have not been fully transferred as they await final regulatory approval.

The transfer of any new permits to the Company is subject to regulatory approval. This approval is subject to the review of both unabated or uncorrected violations that are listed on the Applicator Violator List. The Company, to include several of its subsidiaries, does have unabated and/or uncorrected violations that are listed on the Applicator Violator List. Should the state regulators believe that the Company is not in the process of abating or correcting the currently outstanding issues associated with their currently held permits they may choose not to issue the Company any new permits until such issues are properly rectified.

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**Empire Kentucky Land, Inc**

*General:*

Empire Kentucky Land, Inc., and its wholly-owned subsidiary, Colonial Coal Company, Inc., own approximately 3,000 acres of mineral and another approximately 3,000 acres of surface real estate, primarily located near Phelps, Pike County, Kentucky. There are currently no coal mining or coal processing permits owned by Empire. The coal owned at Empire (along with our other subsidiaries) has not been classified as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7. American Resources Corporation has received a Breach of Promissory Notes from Empire Kentucky Land, Inc. The amount being sought is \$2,000,000 as well as additional fees and charges. The acquired assets have an anticipated life of 25 years. Capitalized mining rights will be amortized based on productive activities over the anticipated life of 25 years. Amortization expense for this asset for the year ended December 31, 2019 and 2018 amounted to \$931,333 and \$0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value. On May 2020, the Company reached a Settlement, Recission and Mutual Release Agreement with the sellers where the Company sold back the property for the forgiveness of \$2,000,000 seller note and the return of 2,000,000 shares of Company common stock.

*Mines:*

There are no permitted coal mines at Empire.

*Processing and Transportation:*

There is no permitted coal processing or loading infrastructure at Empire.

*Permits:*

Empire holds no permits and is not expected to hold any permits in the future.

**Quest Processing LLC**

Quest Energy's wholly-owned subsidiary, Quest Processing, manages the assets, operations, and personnel of the certain coal processing and transportation facilities of Quest Energy's various other subsidiaries, namely the Supreme Energy Preparation Facility (of Knott County Coal LLC), and Mill Creek Preparation Facility (of Deane Mining LLC). Quest Processing LLC was the recipient of a New Markets Tax Credit loan that allowed for the payment of certain expenses of these preparation facilities. As part of that financing transaction, Quest Energy loaned ERC Mining LLC, an entity owned by members of Quest Energy, Inc.'s management, \$4,120,000 to facilitate the New Markets Tax Credit loan, of which is all outstanding as of December 31, 2019 and 2018, respectively. ERC Mining LLC is considered a variable interest entity and is consolidated into Quest Energy's financial statements.

#### **ERC Mining Indiana Corporation (the Gold Star Mine)**

##### **General:**

Located primarily within Greene and Sullivan Counties, Indiana, ERC Mining Indiana Corporation ("ERC") is currently comprised of one idled underground mine (the Gold Star Mine), one idled coal preparation plant and rail loadout. ERC sold its coal in the past as thermal coal to utilities. The Company does not plan to mine the property and purchased it for monetization of infrastructure assets and to reclaim the property.

##### **Mines:**

The Gold Star Mine is an underground mine in the Indiana IV (aka the Survant) coal seam located near the town of Jasonville, Indiana. Currently idled, the Gold Star Mine has been mined in the past via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the mine to the raw coal stockpile at the preparation plant less than a mile away.

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Processing and Transportation:

The idled preparation plant is a 165 ton-per-hour coal preparation facility located near the underground mine portal. The rail loadout associated with the preparation plant is a rail loadout serviced by the Indiana Rail Road. The preparation plant has a coarse refuse and slurry impoundment. The allocated cost of for the property at Gold Star paid by the Company is \$77,831.

Permits:

ERC holds one permit that covers the Gold Star Mine, processing plant, rail loadout, and related infrastructure.

**Mineral and Surface Leases**

Coal mining and processing involves the extraction of coal (mineral) and the use of surface property incidental to such extraction and processing. All of the mineral and surface related to the Company's coal mining operations is leased from various mineral and surface owners (the "Leases"). The Company's operating subsidiaries, collectively, are parties to approximately 200 various Leases and other agreements required for the Company's coal mining and processing operations. The Leases are with a variety of Lessors, from individuals to professional land management firms such as the Elk Horn Coal Company LLC and Alma Land Company. In some instances, the Company has leases with Land Resources & Royalties LLC (LRR), a professional leasing firm that is an entity wholly owned by Quest MGMT LLC, an entity owned by members of Quest Energy Inc.'s management.

**Coal Sales**



ARC sells its coal to domestic and international customers, some which blend ARC's coal at east coast ports with other qualities of coal for export. Coal sales currently come from the Company's McCoy Elkhorn's Mine #15 and Carnegie 1 mines, Knott County Coal's Wayland Surface mine, and Deane Mining's Access Energy and Razorblade Surface mines and Perry's E4-2 mine. The Company may, at times, purchase coal from other regional producers to sell on its contracts.

Coal sales at the Company is primarily outsource to third party intermediaries who act on the Company's behalf to source potential coal sales and contracts. The third-party intermediaries have no ability to bind the Company to any contracts, and all coal sales are approved by management of the Company.

Due to the Covid-19 global pandemic, traditional sales channels have been disrupted. As a supplier of the raw materials into the steel and industrial industries, our customers are sensitive to global fluctuations in steel demand.

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**Competition**

The coal industry is intensely competitive. The most important factors on which the Company competes are coal quality, delivered costs to the customer and reliability of supply. Our principal domestic competitors will include Corsa Coal Corporation, Ramaco Resources, Blackhawk Mining, Coronado Coal, Arch Coal, Contura Energy, and Warrior Met Coal. Many of these coal producers may have greater financial resources and larger coal deposit bases than we do. We also compete in international markets directly with domestic companies and with companies that produce coal from one or more foreign countries, such as China, Australia, Colombia, Indonesia and South Africa.

**Legal Proceedings**

From time to time, we are subject to ordinary routine litigation incidental to our normal business operations.

## **Environmental, Governmental, and Other Regulatory Matters**

Our operations are subject to federal, state, and local laws and regulations, such as those relating to matters such as permitting and licensing, employee health and safety, reclamation and restoration of mining properties, water discharges, air emissions, plant and wildlife protection, the storage, treatment and disposal of wastes, remediation of contaminants, surface subsidence from underground mining and the effects of mining on surface water and groundwater conditions. In addition, we may become subject to additional costs for benefits for current and retired coal miners. These environmental laws and regulations include, but are not limited to, SMCRA with respect to coal mining activities and ancillary activities; the CAA with respect to air emissions; the CWA with respect to water discharges and the permitting of key operational infrastructure such as impoundments; RCRA with respect to solid and hazardous waste management and disposal, as well as the regulation of underground storage tanks; the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") with respect to releases, threatened releases and remediation of hazardous substances; the Endangered Species Act of 1973 ("ESA") with respect to threatened and endangered species; and the National Environmental Policy Act of 1969 ("NEPA") with respect to the evaluation of environmental impacts related to any federally issued permit or license. Many of these federal laws have state and local counterparts which also impose requirements and potential liability on our operations.

Compliance with these laws and regulations may be costly and time-consuming and may delay commencement, continuation or expansion of exploration or production at our facilities. They may also depress demand for our products by imposing more stringent requirements and limits on our customers' operations. Moreover, these laws are constantly evolving and are becoming increasingly complex and stringent over time. These laws and regulations, particularly new legislative or administrative proposals, or judicial interpretations of existing laws and regulations related to the protection of the environment could result in substantially increased capital, operating and compliance costs. Individually and collectively, these developments could have a material adverse effect on our operations directly and/or indirectly, through our customers' inability to use our products.

Certain implementing regulations for these environmental laws are undergoing revision or have not yet been promulgated. As a result, we cannot always determine the ultimate impact of complying with existing laws and regulations.

Due in part to these extensive and comprehensive regulatory requirements and ever- changing interpretations of these requirements, violations of these laws can occur from time to time in our industry and also in our operations. Expenditures relating to environmental compliance are a major cost consideration for our operations and safety and compliance is a significant factor in mine design, both to meet regulatory requirements and to minimize long-term environmental liabilities. To the extent that these expenditures, as with all costs, are not ultimately reflected in the prices of our products and services, operating results will be reduced.

In addition, our customers are subject to extensive regulation regarding the environmental impacts associated with the combustion or other use of coal, which may affect demand for our coal. Changes in applicable laws or the adoption of new laws relating to energy production, GHG emissions and other emissions from use of coal products may cause coal to become a less attractive source of energy, which may adversely affect our mining operations, the cost structure and, the demand for coal. For example, if the emissions rates or caps adopted under the CPP on GHGs are upheld or a tax on carbon is imposed, the market share of coal as fuel used to generate electricity would be expected to decrease.

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We believe that our competitors with operations in the United States are confronted by substantially similar conditions. However, foreign producers and operators may not be subject to similar requirements and may not be required to undertake equivalent costs in or be subject to similar limitations on their operations. As a result, the costs and operating restrictions necessary for compliance with United States environmental laws and regulations may have an adverse effect on our competitive position with regard to those foreign competitors. The specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities, applicable legislation and its production methods.

#### *Surface Mining Control and Reclamation Act*

SMCRA establishes operational, reclamation and closure standards for our mining operations and requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of mining activities. SMCRA also stipulates compliance with many other major environmental statutes, including the CAA, the CWA, the ESA, RCRA and CERCLA. Permits for all mining operations must be obtained from the United States Office of Surface Mining (“OSM”) or, where state regulatory agencies have adopted federally approved state programs under SMCRA, the appropriate state regulatory authority. Our operations are located in states which have achieved primary jurisdiction for enforcement of SMCRA through approved state programs.

SMCRA imposes a complex set of requirements covering all facets of coal mining. SMCRA regulations govern, among other things, coal prospecting, mine plan development, topsoil or growth medium removal and replacement, disposal of excess spoil and coal refuse, protection of the hydrologic balance, and suitable post mining land uses.

From time to time, OSM will also update its mining regulations under SMCRA. For example, in December 2016, OSM finalized a new version of the Stream Protection Rule which became effective in January 2017. The rule would have impacted both surface and underground mining operations, as it would have imposed stricter guidelines on conducting coal mining operations, and would have required more extensive baseline data on hydrology, geology and aquatic biology in permit applications. The rule also required the collection of increased pre-mining data about the site of the proposed mining operation and adjacent areas to establish a baseline for evaluation of the impacts of mining and the effectiveness of reclamation associated with returning streams to pre-mining conditions. However, in February 2017, both the House and Senate passed a resolution disapproving of the Stream Protection Rule pursuant to the Congressional Review Act (“CRA”). President Trump signed the resolution on February 16, 2017 and, pursuant to the CRA, the Stream Protection Rule “shall have no force or effect” and cannot be replaced by a similar rule absent future legislation. On November 17, 2017, OSMRE published a Federal Register notice that removed the text of the Stream Protection Rule from the Code of Federal Regulations. Whether Congress will enact future legislation to require a new Stream Protection Rule remains uncertain. The existing rules, or other new SMCRA regulations, could result in additional material costs, obligations and restrictions upon our operations.

#### *Abandoned Mine Lands Fund*

SMCRA also imposes a reclamation fee on all current mining operations, the proceeds of which are deposited in the AML Fund, which is used to restore unreclaimed and abandoned mine lands mined before 1977. The current per ton fee is \$0.280 per ton for surface mined coal and \$0.120 per ton for underground mined coal. These fees are currently scheduled to be in effect until September 30, 2021.

#### *Mining Permits and Approvals*

Numerous governmental permits and approvals are required for mining operations. We are required to prepare and present to federal, state, and local authorities data detailing the effect or impact that any proposed exploration project for production of coal may have upon the environment, the public and our employees. The permitting rules, and the interpretations of these rules, are complex, change frequently, and may be subject to discretionary interpretations by regulators. The requirements imposed by these permits and associated regulations can be costly and time-consuming and may delay commencement or continuation of exploration, production or expansion at our operations. The governing laws, rules, and regulations authorize substantial fines and penalties, including revocation or suspension of mining permits under some circumstances. Monetary sanctions and, in certain circumstances, even criminal sanctions may be imposed for failure to comply with these laws.

Applications for permits and permit renewals at our mining operations are also subject to public comment and potential legal challenges from third parties seeking to prevent a permit from being issued, or to overturn the applicable agency's grant of the permit. Should our permitting efforts become subject to such challenges, they could delay commencement, continuation or expansion of our mining operations. If such comments lead to a formal challenge to the issuance of these permits, the permits may not be issued in a timely fashion, may involve requirements which restrict our ability to conduct our mining operations or to do so profitably, or may not be issued at all. Any delays, denials, or revocation of these or other similar permits we need to operate could reduce our production and materially adversely impact our cash flow and results of our operations.

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In order to obtain mining permits and approvals from state regulatory authorities, mine operators must also submit a reclamation plan for restoring the mined property to its prior condition, productive use or other permitted condition. The conditions of certain permits also require that we obtain surface owner consent if the surface estate has been split from the mineral estate. This requires us to negotiate with third parties for surface access that overlies coal we acquired or intend to acquire. These negotiations can be costly and time-consuming, lasting years in some instances, which can create additional delays in the permitting process. If we cannot successfully negotiate for land access, we could be denied a permit to mine coal we already own.

Finally, we typically submit necessary mining permit applications several months, or even years, before we anticipate mining a new area. However, we cannot control the pace at which the government issues permits needed for new or ongoing operations. For example, the process of obtaining CWA permits can be particularly time-consuming and subject to delays and denials. The EPA also has the authority to veto permits issued by the Corps under the CWA's Section 404 program that prohibits the discharge of dredged or fill material into regulated waters without a permit. Even after we obtain the permits that we need to operate, many of the permits must be periodically renewed, or may require modification. There is some risk that not all existing permits will be approved for renewal, or that existing permits will be approved for renewal only upon terms that restrict or limit our operations in ways that may be material.

Federal and state laws require a mine operator to secure the performance of its reclamation and lease obligations under SMCRA through the use of surety bonds or other approved forms of financial security for payment of certain long-term obligations, including mine closure or reclamation costs. The changes in the market for coal used to generate electricity in recent years have led to bankruptcies involving prominent coal producers. Several of these companies relied on self-bonding to guarantee their responsibilities under the SMCRA permits including for reclamation. In response to these bankruptcies, OSMRE issued a Policy Advisory in August 2016 to state agencies that are authorized under the SMCRA to implement the act in their states. Certain states, including Virginia, had previously announced that it would no longer accept self-bonding to secure reclamation obligations under the state mining laws. This Policy Advisory is intended to discourage authorized states from approving self-bonding arrangements and may lead to increased demand for other forms of financial assurance, which may strain capacity for those instruments and increase our costs of obtaining and maintaining the amounts of financial assurance needed for our operations. In addition, OSMRE announced in August 2016 that it would initiate a rulemaking under SMCRA to revise the requirements for self-bonding. Individually and collectively, these revised various financial assurance requirements may increase the amount of financial assurance needed and limit the types of acceptable instruments, straining the capacity of the surety markets to meet demand. This may delay the timing for and increase the costs of obtaining the required financial assurance.

We may use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. Federal and state laws require us to obtain surety bonds to secure payment of certain long-term obligations including mine closure or reclamation costs and other miscellaneous obligations. The bonds are renewable on a yearly basis. Surety bond rates have increased in recent years and the market terms of such bonds have generally become less favorable. Sureties typically require coal producers to post collateral, often having a value equal to 40% or more of the face amount of the bond. As a result, we may be required to provide collateral, letters of credit or other assurances of payment in order to obtain the necessary types and amounts of financial assurance. Under our surety bonding program, we are not currently required to post any letters of credit or other collateral to secure the surety bonds; obtaining letters of credit in lieu of surety bonds could result in a significant cost increase. Moreover, the need to obtain letters of credit may also reduce amounts that we can borrow under any senior secured credit facility for other purposes. If, in the future, we are unable to secure surety bonds for these obligations, and are forced to secure letters of credit indefinitely or obtain some other form of financial assurance at too high of a cost, our profitability may be negatively affected.

Although our current bonding capacity approved by our sureties, Lexon Insurance Company and Continental Heritage, is substantial and enough to cover our current and anticipated future bonding needs, this amount may increase or decrease over time. As of December 31, 2019, and 2018, we had outstanding surety bonds at all of our mining operations totaling approximately \$34.93 million and \$26.66 million, respectively. While we anticipate reducing the outstanding surety bonds through continued reclamation of many of our permits, that number may increase should we acquire additional mining permits, acquire additional mining operations, expand our mining operations that result in additional reclamation bonds, or if any of our sites encounters additional environmental liability that may require additional reclamation bonding. While we intend to maintain a credit profile that eliminates the need to post collateral for our surety bonds, our surety has the right to demand additional collateral at its discretion.

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### *Mine Safety and Health*

The Mine Act and the MINER Act, and regulations issued under these federal statutes, impose stringent health and safety standards on mining operations. The regulations that have been adopted under the Mine Act and the MINER Act are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, roof control, ventilation, blasting, use and maintenance of mining equipment, dust and noise control, communications, emergency response procedures, and other matters. MSHA regularly inspects mines to ensure compliance with regulations promulgated under the Mine Act and MINER Act.

From time to time MSHA will also publish new regulations imposing additional requirements and costs on our operations. For example, MSHA implemented a rule in August 2014 to lower miners' exposure to respirable coal mine dust. The rule requires shift dust to be monitored and reduces the respirable dust standard for designated occupants and miners. MSHA also finalized a new rule in January 2015 on proximity detection systems for continuous mining machines, which requires underground coal mine operators to equip continuous mining machines, except full-face continuous mining machines, with proximity detection systems.

Kentucky, West Virginia, and Virginia all have similar programs for mine safety and health regulation and enforcement. The various requirements mandated by federal and state statutes, rules, and regulations place restrictions on our methods of operation and result in fees and civil penalties for violations of such requirements or criminal liability for the knowing violation of such standards, significantly impacting operating costs and productivity. The regulations enacted under the Mine Act and MINER Act as well as under similar state acts are routinely expanded or made more stringent, raising compliance costs and increasing potential liability. Our compliance with current or future mine health and safety regulations could increase our mining costs. At this time, it is not possible to predict the full effect that new or proposed statutes, regulations and policies will have on our operating costs, but any expansion of existing regulations, or making such regulations more stringent may have a negative impact on the profitability of our operations. If we were to be found in violation of mine safety and health regulations, we could face penalties or restrictions that may materially and adversely impact our operations, financial results and liquidity.

In addition, government inspectors have the authority to issue orders to shut down our operations based on safety considerations under certain circumstances, such as imminent dangers, accidents, failures to abate violations, and unwarrantable failures to comply with mandatory safety standards. If an incident were to occur at one of our operations, it could be shut down for an extended period of time, and our reputation with prospective customers could be materially damaged. Moreover, if one of our operations is issued a notice of pattern of violations, then MSHA can issue an order withdrawing the miners from the area affected by any enforcement action during each subsequent significant and substantial ("S&S") citation until the S&S citation or order is abated. In 2013 MSHA modified the pattern of violations regulation, allowing, among other things, the use of non-final citations and orders in determining whether a pattern of violations exists at a mine.

### *Workers' Compensation and Black Lung*

We are insured for workers' compensation benefits for work related injuries that occur within our United States operations. We retain exposure for



the first \$10,000 per accident for all of our subsidiaries and are insured above the deductible for statutory limits. Workers' compensation liabilities, including those related to claims incurred but not reported, are recorded principally using annual valuations based on discounted future expected payments using historical data of the operating subsidiary or combined insurance industry data when historical data is limited. State workers' compensation acts typically provide for an exception to an employer's immunity from civil lawsuits for workplace injuries in the case of intentional torts. However, Kentucky's workers' compensation act provides a much broader exception to workers' compensation immunity. The exception allows an injured employee to recover against his or her employer where he or she can show damages caused by an unsafe working condition of which the employer was aware that was a violation of a statute, regulation, rule or consensus industry standard. These types of lawsuits are not uncommon and could have a significant impact on our operating costs.

The Patient Protection and Affordable Care Act includes significant changes to the federal black lung program including an automatic survivor benefit paid upon the death of a miner with an awarded black lung claim and the establishment of a rebuttable presumption with regard to pneumoconiosis among miners with 15 or more years of coal mine employment that are totally disabled by a respiratory condition. These changes could have a material impact on our costs expended in association with the federal black lung program. In addition to possibly incurring liability under federal statutes, we may also be liable under state laws for black lung claims.

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*Clean Air Act*

The CAA and comparable state laws that regulate air emissions affect coal mining operations both directly and indirectly. Direct impacts on coal mining and processing operations include CAA permitting requirements and emission control requirements relating to air pollutants, including particulate matter such as fugitive dust. The CAA indirectly affects coal mining operations by extensively regulating the emissions of particulate matter, sulfur dioxide, nitrogen oxides, mercury and other compounds emitted by coal-fired power plants. In addition to the GHG issues discussed below, the air emissions programs that may materially and adversely affect our operations, financial results, liquidity, and demand for our coal, directly or indirectly, include, but are not limited to, the following:

· *Clean Air Interstate Rule and Cross-State Air Pollution Rule*. The Clean Air Interstate Rule (“CAIR”) calls for power plants in 28 states and the District of Columbia to reduce emission levels of sulfur dioxide and nitrogen oxide pursuant to a cap-and-trade program similar to the system now in effect for acid rain. In June 2011, the EPA finalized the Cross-State Air Pollution Rule (“CSAPR”), a replacement rule to CAIR, which requires 28 states in the Midwest and eastern seaboard of the U.S. to reduce power plant emissions that cross state lines and contribute to ozone and/or fine particle pollution in other states. Following litigation over the rule, the EPA issued an interim final rule reconciling the CSAPR rule with a court order, which calls for Phase 1 implementation of CSAPR in 2015 and Phase 2 implementation in 2017. In September 2016, the EPA finalized an update to CSAPR for the 2008 ozone NAAQS by issuing the final CSAPR Update. Beginning in May 2017, this rule will reduce summertime (May–September) nitrogen oxide emissions from power plants in 22 states in the eastern United States. For states to meet their requirements under CSAPR, a number of coal-fired electric generating units will likely need to be retired, rather than retrofitted with the necessary emission control technologies, reducing demand for thermal coal. However, the practical impact of CSAPR may be limited because utilities in the U.S. have continued to take steps to comply with CAIR, which requires similar power plant emissions reductions, and because utilities are preparing to comply with the Mercury and Air Toxics Standards (“MATS”) regulations, which require overlapping power plant emissions reductions.

- *Acid Rain*. Title IV of the CAA requires reductions of sulfur dioxide emissions by electric utilities and applies to all coal-fired power plants generating greater than 25 Megawatts of power. Affected power plants have sought to reduce sulfur dioxide emissions by switching to lower sulfur fuels, installing pollution control devices, reducing electricity generating levels or purchasing or trading sulfur dioxide emission allowances. These reductions could impact our customers in the electric generation industry. These requirements are not supplanted by CSAPR.
- *NAAQS for Criterion Pollutants*. The CAA requires the EPA to set standards, referred to as NAAQS, for six common air pollutants: carbon monoxide, nitrogen dioxide, lead, ozone, particulate matter and sulfur dioxide. Areas that are not in compliance (referred to as non-attainment areas) with these standards must take steps to reduce emissions levels. The EPA has adopted more stringent NAAQS for nitrogen oxide, sulfur dioxide, particulate matter and ozone. As a result, some states will be required to amend their existing individual state implementation plans (“SIPs”) to achieve compliance with the new air quality standards. Other states will be required to develop new plans for areas that were previously in “attainment,” but do not meet the revised standards. For example, in October 2015, the EPA finalized the NAAQS for ozone pollution and reduced the limit to parts per billion (ppb) from the previous 75 ppb standard. Under the revised ozone NAAQS, significant additional emissions control expenditures may be required at coal-fired power plants. The final rules and new standards may impose additional emissions control requirements on our customers in the electric generation, steelmaking, and coke industries. Because coal mining operations emit particulate matter and sulfur dioxide, our mining operations could be affected when the new standards are implemented by the states.
- *Nitrogen Oxide SIP Call*. The nitrogen oxide SIP Call program was established by the EPA in October 1998 to reduce the transport of nitrogen oxide and ozone on prevailing winds from the Midwest and South to states in the Northeast, which alleged that they could not meet federal air quality standards because of migrating pollution. The program is designed to reduce nitrogen oxide emissions by one million tons per year in 22 eastern states and the District of Columbia. As a result of the program, many power plants have been or will be required to install additional emission control measures, such as selective catalytic reduction devices. Installation of additional emission control measures will make it costlier to operate coal-fired power plants, potentially making coal a less attractive fuel.
- *Mercury and Hazardous Air Pollutants*. In February 2012, the EPA formally adopted the MATS rule to regulate emissions of mercury and other metals, fine particulates, and acid gases such as hydrogen chloride from coal- and oil-fired power plants. Following a legal challenge to MATS, the EPA issued a new determination in April 2016 that it is appropriate and necessary to regulate these pollutants from power plants. Like CSAPR, MATS and other similar future regulations could accelerate the retirement of a significant number of coal-fired power plants. Such retirements would likely adversely impact our business.

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### *Global Climate Change*

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of GHGs. There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steelmaking is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO<sub>2</sub>, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. Collectively, these initiatives could result in higher electric costs to our customers or lower the demand for coal used in electric generation, which could in turn adversely impact our business.

At present, we are principally focused on metallurgical coal production, which is not used in connection with the production of power generation. However, we may seek to sell greater amounts of our coal into the power-generation market in the future. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations. At the international level, the United Nations Framework Convention on Climate Change released an international climate agreement in December 2015. The agreement has been ratified by more than 70 countries, and entered into force in November 2016. Although this agreement does not create any binding obligations for nations to limit their GHG emissions, it does include pledges to voluntarily limit or reduce future emissions. In addition, in November 2014, President Obama announced that the United States would seek to cut net GHG emissions 26-28 percent below 2005 levels by 2025 in return for China's commitment to seek to peak emissions around 2030, with concurrent increases in renewable energy.

At the federal level, no comprehensive climate change legislation has been implemented to date. The EPA has, however, has determined that emissions of GHGs present an endangerment to public health and the environment, because emissions of GHGs are, according to the EPA, contributing to the warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs under existing provisions of the CAA. For example, in August 2015, EPA finalized the CPP to cut carbon emissions from existing power plants. The CPP creates individualized emission guidelines for states to follow and requires each state to develop an implementation plan to meet the individual state's specific targets for reducing GHG emissions. The EPA also proposed a federal compliance plan to implement the CPP in the event that a state does not submit an approvable plan to the EPA. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the CPP. This stay suspends the rule and will remain in effect until the completion of the appeals process. The Supreme Court's stay only applies to EPA's regulations for CO<sub>2</sub> emissions from existing power plants and will not affect EPA's standards for new power plants. If the CPP is ultimately upheld and depending on how it is implemented by the states, it could have an adverse impact on the demand for coal for electric generation.

At the state level, several states have already adopted measures requiring GHG emissions to be reduced within state boundaries, including cap-and-trade programs and the imposition of renewable energy portfolio standards. Various states and regions have also adopted GHG initiatives and

certain governmental bodies, have imposed, or are considering the imposition of, fees or taxes based on the emission of GHGs by certain facilities. A number of states have also enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power.

The uncertainty over the outcome of litigation challenging the CPP and the extent of future regulation of GHG emissions may inhibit utilities from investing in the building of new coal-fired plants to replace older plants or investing in the upgrading of existing coal-fired plants. Any reduction in the amount of coal consumed by electric power generators as a result of actual or potential regulation of GHG emissions could decrease demand for our coal, thereby reducing our revenues and materially and adversely affecting our business and results of operations. We or prospective customers may also have to invest in CO<sub>2</sub> capture and storage technologies in order to burn coal and comply with future GHG emission standards.

Finally, there have been attempts to encourage greater regulation of coalbed methane because methane has a greater GHG effect than CO<sub>2</sub>. Methane from coal mines can give rise to safety concerns and may require that various measures be taken to mitigate those risks. If new laws or regulations were introduced to reduce coalbed methane emissions, those rules could adversely affect our costs of operations by requiring installation of air pollution controls, higher taxes, or costs incurred to purchase credits that permit us to continue operations.

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### *Clean Water Act*

The CWA and corresponding state laws and regulations affect coal mining operations by restricting the discharge of pollutants, including dredged or fill materials, into waters of the United States. Likewise, permits are required under the CWA to construct impoundments, fills or other structure in areas that are designated as waters of the United States. The CWA provisions and associated state and federal regulations are complex and subject to amendments, legal challenges and changes in implementation. Recent court decisions, regulatory actions and proposed legislation have created uncertainty over CWA jurisdiction and permitting requirements.

Prior to discharging any pollutants into waters of the United States, coal mining companies must obtain a National Pollutant Discharge Elimination System (“NPDES”) permit from the appropriate state or federal permitting authority. NPDES permits include effluent limitations for discharged pollutants and other terms and conditions, including required monitoring of discharges. Failure to comply with the CWA or NPDES permits can lead to the imposition of significant penalties, litigation, compliance costs and delays in coal production. Changes and proposed changes in state and federally recommended water quality standards may result in the issuance or modification of permits with new or more stringent effluent limits or terms and conditions. For instance, waters.

For instance, waters that states have designated as impaired (i.e., as not meeting present water quality standards) are subject to Total Maximum Daily Load regulations, which may lead to the adoption of more stringent discharge standards for our coal mines and could require more costly treatment. Likewise, the water quality of certain receiving streams requires an anti-degradation review before approving any discharge permits. TMDL regulations and anti-degradation policies may increase the cost, time and difficulty associated with obtaining and complying with NPDES permits.

In addition, in certain circumstances private citizens may challenge alleged violations of NPDES permit limits in court. While it is difficult to predict the outcome of any potential or future suits, such litigation could result in increased compliance costs following the completion of mining at our operations.

Finally, in June 2015, the EPA and the Corps published a new definition of “waters of the United States” (“WOTUS”) that became effective on August 28, 2015. Many groups have filed suit to challenge the validity of this rule. The U.S. Court of Appeals for the Sixth Circuit stayed the rule nationwide pending the outcome of this litigation. On January 22, 2018, the Supreme Court held that the courts of appeals do not have original jurisdiction to review challenges to the 2015 Rule. With this final rule, the agencies intend to maintain the status quo by adding an applicability date to the 2015 Rule and thus providing continuity and regulatory certainty for regulated entities, the States and Tribes, and the public while the agencies continue to consider possible revisions to the 2015 Rule. In light of this holding, in February 2018 the agencies published a final rule adding an applicability date to the 2015 Rule of February 6, 2020. We anticipate that the WOTUS rules, if upheld in litigation, will expand areas requiring NPDES or Corps Section 404 permits. If so, the CWA permits we need may not be issued, may not be issued in a timely fashion, or may be issued with new requirements which restrict our ability to conduct our mining operations or to do so profitably.

#### *Resource Conservation and Recovery Act*

RCRA and corresponding state laws establish standards for the management of solid and hazardous wastes generated at our various facilities. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past hazardous waste treatment, storage and disposal practices. In addition, RCRA requires certain of our facilities to evaluate and respond to any past release, or threatened release, of a hazardous substance that may pose a risk to human health or the environment.

RCRA may affect coal mining operations by establishing requirements for the proper management, handling, transportation and disposal of solid and hazardous wastes. Currently, certain coal mine wastes, such as earth and rock covering a mineral deposit (commonly referred to as overburden) and coal cleaning wastes, are exempted from hazardous waste management under RCRA. Any change or reclassification of this exemption could significantly increase our coal mining costs.

EPA began regulating coal ash as a solid waste under Subtitle D of RCRA in 2015. The EPA’s rule requires closure of sites that fail to meet prescribed engineering standards, regular inspections of impoundments, and immediate remediation and closure of unlined ponds that are polluting ground water. The rule also establishes limits for the location of new sites. However, the rule does not regulate closed coal ash impoundments unless they are located at active power plants. These requirements, as well as any future changes in the management of coal combustion residues, could increase our customers’ operating costs and potentially reduce their ability or need to purchase coal. In addition, contamination caused by the past disposal of coal combustion residues, including coal ash, could lead to material liability for our customers under RCRA or other federal or state laws and potentially further reduce the demand for coal.

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### *Comprehensive Environmental Response, Compensation and Liability Act*

CERCLA and similar state laws affect coal mining operations by, among other things, imposing cleanup requirements for threatened or actual releases of hazardous substances into the environment. Under CERCLA and similar state laws, joint and several liabilities may be imposed on hazardous substance generators, site owners, transporters, lessees and others regardless of fault or the legality of the original disposal activity. Although the EPA excludes most wastes generated by coal mining and processing operations from the primary hazardous waste laws, such wastes can, in certain circumstances, constitute hazardous substances for the purposes of CERCLA. In addition, the disposal, release or spilling of some products used by coal companies in operations, such as chemicals, could trigger the liability provisions of CERCLA or similar state laws. Thus, we may be subject to liability under CERCLA and similar state laws for coal mines that we currently own, lease or operate or that we or our predecessors have previously owned, leased or operated, and sites to which we or our predecessors sent hazardous substances. These liabilities could be significant and materially and adversely impact our financial results and liquidity.

### *Endangered Species and Bald and Golden Eagle Protection Acts*

The ESA and similar state legislation protect species designated as threatened, endangered or other special status. The U.S. Fish and Wildlife Service (the “USFWS”) works closely with the OSM and state regulatory agencies to ensure that species subject to the ESA are protected from mining-related impacts. Several species indigenous to the areas in which we operate are protected under the ESA. Other species in the vicinity of our operations may have their listing status reviewed in the future and could also become protected under the ESA. In addition, the USFWS has identified bald eagle habitat in some of the counties where we operate. The Bald and Golden Eagle Protection Act prohibits taking certain actions that would harm bald or golden eagles without obtaining a permit from the USFWS. Compliance with the requirements of the ESA and the Bald and Golden Eagle Protection Act could have the effect of prohibiting or delaying us from obtaining mining permits. These requirements may also include restrictions on timber harvesting, road building and other mining or agricultural activities in areas containing the affected species or their habitats.

### *Use of Explosives*

Our surface mining operations are subject to numerous regulations relating to blasting activities. Due to these regulations, we will incur costs to design and implement blast schedules and to conduct pre-blast surveys and blast monitoring, either directly or through the costs of a contractor we may employ. In addition, the storage of explosives is subject to various regulatory requirements. For example, pursuant to a rule issued by the Department of Homeland Security in 2007, facilities in possession of chemicals of interest (including ammonium nitrate at certain threshold levels) are required to complete a screening review. Our mines are low risk, Tier 4 facilities which are not subject to additional security plans. In 2008, the Department of Homeland Security proposed regulation of ammonium nitrate under the ammonium nitrate security rule. Additional requirements may include tracking and verifications for each transaction related to ammonium nitrate, though a final rule has yet to be issued. Finally, in December 2014, the OSM announced its decision to pursue a rulemaking to revise regulations under SMCRA which will address all blast generated fumes and toxic gases. OSM has not yet issued a proposed rule to address these blasts. The outcome of these rulemakings could materially adversely impact our cost or ability to conduct our mining operations.

### *National Environmental Policy Act*



NEPA requires federal agencies, including the Department of Interior, to evaluate major agency actions that have the potential to significantly impact the environment, such as issuing a permit or other approval. In the course of such evaluations, an agency will typically prepare an environmental assessment to determine the potential direct, indirect and cumulative impacts of a proposed project. Where the activities in question have significant impacts to the environment, the agency must prepare an environmental impact statement. Compliance with NEPA can be time-consuming and may result in the imposition of mitigation measures that could affect the amount of coal that we are able to produce from mines on federal lands and may require public comment. Furthermore, whether agencies have complied with NEPA is subject to protest, appeal or litigation, which can delay or halt projects. The NEPA review process, including potential disputes regarding the level of evaluation required for climate change impacts, may extend the time and/or increase the costs and difficulty of obtaining necessary governmental approvals, and may lead to litigation regarding the adequacy of the NEPA analysis, which could delay or potentially preclude the issuance of approvals or grant of leases.

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The Council on Environmental Quality recently released guidance discussing how federal agencies should consider the effects of GHG emissions and climate change in their NEPA evaluations. The guidance encourages agencies to provide more detailed discussion of the direct, indirect, and cumulative impacts of a proposed action's reasonably foreseeable emissions and effects. This guidance could create additional delays and costs in the NEPA review process or in our operations, or even an inability to obtain necessary federal approvals for our operations due to the increased risk of legal challenges from environmental groups seeking additional analysis of climate impacts.

#### *Other Environmental Laws*

We are required to comply with numerous other federal, state, and local environmental laws and regulations in addition to those previously discussed. These additional laws include but are not limited to the Safe Drinking Water Act, the Toxic Substances Control Act, and the Emergency

Planning and Community Right-to-Know Act. Each of these laws can impact permitting or planned operations and can result in additional costs or operational delays.

## **Property**

Our principal offices are located at 9002 Technology Lane, Fishers, Indiana 46038. We pay \$2,500 per month in rent for the office space and the rental lease expired in December 2018 and is continuing on a month-to-month basis through January 2020. On February 14, the Company moved its principal offices to 12115 Visionary Way Fishers, IN 46038. A lease through December 2026 was executed. We also rent office space from an affiliated entity, LRR, at 11000 Highway 7 South, Kite, Kentucky 41828 and pay \$500 per month rent and the rental lease expires October 30, 2021.

The Company also utilizes various office spaces on-site at its coal mining operations and coal preparation plant locations in eastern Kentucky, with such rental payments covered under any surface lease contracts with any of the surface land owners.

## **Employees**

ARC, through its operating subsidiaries, employs a combination of company employees and contract labor to mine coal, process coal, and related functions. The Company is continually evaluating the use of company employees and contract labor to determine the optimal mix of each, given the needs of the Company. Currently, McCoy Elkhorn's Mine #15, McCoy Elkhorn's Carnegie 1 Mine, Perry's E4-1 mine and Deane Mining's Access Energy mine are primarily run by company employees, and Deane Mining's Razorblade Surface mine is primarily run by contract labor, and the Company's various coal preparation facilities are run by company employees.

The Company currently has approximately 15 employees, with a substantial majority based in eastern Kentucky. The Company is headquartered in Fishers, Indiana with five members of the Company's executive team based at this location.

## **Implications of Being an Emerging Growth Company**

We qualify as an emerging growth company as that term is used in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- A requirement to have only two years of audited financial statements and only two years of related MD&A;
- Exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002;
- Reduced disclosure about the emerging growth company's executive compensation arrangements; and
- No non-binding advisory votes on executive compensation or golden parachute arrangements.

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We have already taken advantage of these reduced reporting burdens in this Form 10-K, which are also available to us as a smaller reporting company as defined under Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act") for complying with new or revised accounting standards. We are choosing to utilize the extended transition period for complying with new or revised accounting standards under Section 102(b)(2) of the JOBS Act. This election allows our Company to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

We could remain an emerging growth company for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

We are a reporting company and file all reports required under sections 13 and 15d of the Exchange Act.

**Item 1A. Risk Factors.**

Because we are a Smaller Reporting Company, we are not required to provide the information required by this item.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our principal offices are located at 9002 Technology Lane, Fishers, Indiana 46038. We pay \$2,500 per month in rent for the office space and the rental lease expired in December 2018 and is continuing on a month-to-month basis through January 2020. On February 14, 2020, the Company moved its principal offices to 12115 Visionary Way Fishers, IN 46038. A lease through December 2026 was executed. We also rent office space, from an affiliated entity, at 11000 Highway 7 South, Kite, Kentucky 41828 and pay \$500 per month rent and the rental lease expires October 30, 2021. The future annual rent is \$6,000 through 2021. Rent expense for 2019 and 2018 amounted to \$36,000 and \$36,000 each year, respectively.

**Item 3. Legal Proceedings.**

From time to time, we are subject to ordinary routine litigation incidental to our normal business operations.

Please see financial statement note 9 for detail on cases.

**Item 4. Mine Safety Disclosures.**

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Annual Report.

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**PART II.**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

***Market Information.***

Our Class A Common Stock (also referred to as common stock or shares) is presently traded on the NASDAQ Capital Market under the ticker

symbol AREC. Our common stock has been thinly traded since our Company's inception. Moreover, we do not believe that any institutional or other large-scale trading of our stock has occurred or will in fact occur in the near future. The following table sets forth information as reported by the OTC Markets Group through February 14, 2019 and the Nasdaq Capital Markets for the period beginning February 15, 2019 for the high and low bid and ask prices for each of the eight quarters ending December 31, 2019 for our common stock. The following prices reflect inter-dealer prices without retail markup, markdown or commissions and may not reflect actual transactions.

	<u>High</u>	<u>Low</u>
<b>Quarters ending in 2018</b>		
March 31	\$ 4.50	\$ 0.05
June 30	2.25	1.00
September 30	7.05	1.00
December 31	13.49	5.85
<b>Quarters ending in 2019</b>		
March 31	\$ 12.20	\$ 2.10
June 30	4.24	2.10
September 30	3.57	0.59
December 31	\$ 0.762	\$ 0.52

*(b) Holders*

As of May 26, 2020, the Company had 163 Class A Common Stock shareholders of record holding 27,710,512 shares of our Class A Common Stock issued and outstanding. This number includes one position at Cede & Co., which includes an unknown number of shareholders holding shares of 1,954,450 Class A Common Stock. The number of both shareholders of record and beneficial shareholders may change on a daily basis and without the Company's immediate knowledge.

*(c) Dividends*

Holders of common stock are entitled to receive dividends as may be declared by our Board of Directors and, in the event of liquidation, to share pro rata in any distribution of assets after payment of liabilities and preferred shareholders. Our Board of Directors has sole discretion to determine: (i) whether to declare a dividend; (ii) the dividend rate, if any, on the shares of any class of series of our capital stock, and if so, from which date or dates; and (iii) the relative rights of priority of payment of dividends, if any, between the various classes and series of our capital stock. We have not paid any dividends and do not have any current plans to pay any dividends.

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Limited liquidity public market for common stock

Effective, February 15, 2019, The Company's Common Stock began trading on the NASDAQ Capital Market. The Company received a failure to comply with Nasdaq minimum bid pricing letter on October 7, 2019 which was cleared on April 9, 2020.

**Recent Sales of Unregistered Securities.**

**CLASS A COMMON STOCK**

During the periods ending December 31, 2019 and December 31, 2018, the Company engaged in the sale of its unregistered securities as described below. The shares of our Class A Common Stock were issued pursuant to an exemption from registration in Section 4(a)(2) of the Securities Act of 1933. These shares of our Class A Common Stock qualified for exemption under Section 4(a)(2) of the Securities Act of 1933 since the issuance of shares by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(a)(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, these shareholders had necessary investment intent as required by Section 4(a)(2) since they agreed to receive share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a "public offering." All shareholders are "sophisticated investors" and are family members, friends or business acquaintances of our officers and directors. Based on an analysis of the above factors, we believe we have met the requirements to qualify for exemption under section 4(a)(2) of the Securities Act of 1933 for this transaction.

On January 16, 2019, an affiliate of the Company converted its remaining 29,051 shares of Series A Preferred into 96,837 common shares.

On January 17, 2019, a non-affiliated shareholder partially exercised 300,000 shares of a warrant they held in the Company. The exercise was cashless, and the shareholder received 299,697 shares of common stock as a result of the conversion.

On January 25, 2019, the Company extended its consulting agreement with Redstone Communications, LLC for an additional six-month term, and as a result, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro, another five-year warrant to purchase up to 175,000 common shares of our Company at an exercise price of \$1.50 per share and issued to Mr. Marlin Molinaro another five-year warrant option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.50 per share as compensation for the second six months of an agreement. Should Redstone Communications, LLC and Mr. Molinaro. If the warrants



which are received under the second six months of engagement are exercised, the Company will receive up to \$262,500 and \$112,500, respectively. The common shares were valued at \$10.50 on January 25, 2019 and resulted in an expense of \$1,575,000 which was recorded in full on January 25, 2019. The corresponding expense of the issued warrants was recorded in full in the amount of \$2,385,000.

On January 27, 2019, the Company issued 1,000 shares of common shares to an unrelated party for the consideration of \$5,000 cash to the Company.

On January 28, 2019, the Company issued a total of 400 shares of common shares to two unrelated parties for the total consideration of \$2,000 cash to the Company.

On January 30, 2019, the Company entered into an Investor Relations Agreement with American Capital Ventures, Inc. ("American Capital") whereby American Capital will provide, among other services, assistance to the Company in planning, reviewing and creating corporate communications, press releases, and presentations and consulting and liaison services to the Company relating to the conception and implementation of its corporate and business development plan. The term of the agreement is six months and American Capital was immediately issued 9,000 shares of common shares as compensation under the agreement. The common shares were valued at \$10.80 on January 30, 2019 and resulted in an expense of \$97,200 which was recorded in full on January 30, 2019.

On January 31, 2019, the Company issued a total of 3,917 shares of common shares, priced at \$6 per share, to an unrelated party for the settlement of trade payables in the total amount of \$23,502. If at the time of potential sale of the shares, the listed price per share is below \$6, the Company is required to purchase the shares back at \$6 per share which results in a contingent liability of \$23,502. The common shares were valued at \$11.00 on January 31, 2019 and resulted in a loss on settlement of \$19,585.

On February 1, 2019, the Company issued a total of 1,000 shares of common shares to two unrelated parties for the total consideration of \$5,000 cash to the Company.

On February 6, 2019, a non-affiliated shareholder partially exercised 300,000 shares of a warrant they held in the Company. The exercise was cashless, and the shareholder received 299,730 shares of common stock as a result of the conversion.

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On February 4 through February 8, 2019, the Company issued a total of 17,800 shares of common shares to sixteen unrelated parties for the total consideration of \$89,000 cash to the Company.

On February 10, 2019, \$3,000 worth of trade payables were settled with 500 common shares of the company. The common shares were valued at \$12.15 on February 10, 2019 and resulted in a loss on settlement of \$3,075.

On February 12, 2019, the Company executed a contract with an unrelated party for the acquisition of stock and assets of entities with non-operating assets consisting of surface and mineral ownership and other related agreements. Consideration is in the form of 2,000,000 common shares, priced at the closing market price of \$12.20 per share of common share, as well as \$500,000 cash and a promissory note totaling \$2,000,000 with a maturity of less than 1 year. The note is secured by a land contract on the acquired property.

On February 14, 2019, 452,729 Series A preferred shares were converted into 1,509,097 common shares of the company in a cashless conversion under the terms of the agreement. This resulted in no more Series A Preferred stock being outstanding as of this date.

On February 20, 2019, the Company issued 1,000,000 shares of Class A Common Stock at a price of \$4 per share in conjunction with its effective S-1/A Registration Statement. Net proceeds to the Company amounted to \$3,695,000. As part of the underwriter agreement, 70,000 warrants to purchase Class A Common Stock were issued to the underwriter. These warrants expire on February 15, 2021 and carry an exercise price of \$4.40 per share. The warrants had a value of \$123,000 was recorded as an increase and decrease in additional paid in capital. Offering costs totaled \$447,000, which has been recorded as a reduction of equity.

On February 21, 2019, 50,000 Series C Preferred shares were converted into 13,750 shares of Class A Common Stock in a cashless conversion under the terms of the agreement. This resulted in no more Series C Preferred stock being outstanding as of this date.

On March 7, 2019, the Company issued an additional 150,000 shares of Class A Common Stock at a price of \$4 per share as the over-allotment from the effective S-1/A Registration Statement. The net proceeds to the company amounted to \$558,000. As part of the underwriter agreement, 10,500 warrants to purchase Class A Common Stock were issued to the underwriter. These warrants expire on February 15, 2021 and carry an exercise price of \$4.40 per share. The warrants had a value of \$23,100 was recorded as an increase and decrease in additional paid in capital.

On May 7, 2019, the Company issued 50,000 shares of common stock as part of a settlement of \$200,000 to an unrelated entity for the use of certain mining equipment. The stock price at the time of issuance was \$3.88 resulting in a settlement gain of \$6,000.

On May 30, 2019, the Company issued 25,000 shares to an unrelated entity in conjunction with a short-term borrowing facility issued by the entity. The stock price at the time of issuance was \$3.49 resulting in a stock interest expense of \$87,250.

On June 5, 2019, the Company issued options to certain employees in the amount of 175,000 under an adopted stock option plan. The issuance of employee options resulted in an expense totaling \$68,736. The total expense will be \$353,500 which will be amortized over the three-year vesting period.

On June 6, 2019, the Company and a former employee reached a settlement agreement where 107,000 shares of common stock were canceled and returned to the company. These shares were forfeited and returned to the company for no consideration and are accounted for as authorized and not issued.

On June 7, 2019, the Company issued 25,000 shares of common stock at \$4 per share to an unrelated entity under an equity purchase agreement. The Company received \$100,000 cash consideration for the investment. The stock price at the time of issuance was \$2.10. If the Company, during the period in which the purchased shares are held by the original entity, issues or sells any shares of common stock for a price less than \$4.00, the Company shall issue to the purchaser an additional number of shares of common stock, so as to provide the purchaser the benefit of the reduced price per share.

On June 7, 2019, the Company issued 30,000 shares of common stock for consulting services to an unrelated party. The stock price at the time of issuance was \$2.10 resulting in an expense totaling \$63,000. The consulting agreement is for six months and the shares for services were deemed to have been earned upon execution of the consulting agreement on May 30, 2019. In addition to the shares issued, 75,000 warrants with three-year exercise period and \$4.00 strike price were issued upon execution of the consulting agreement resulting in a expense of \$139,500.

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On June 12, 2019, the Company restructured a series of warrants; C-1, C-2, C-3 and C-4, held by an unrelated party as part of the ARC business loan which resulted in an increase in the number of warrants issued from 1.6 million shares across four warrants to 3.0 million shares across four warrants; an increase in the term of the warrants from the date of the amendment from a weighted average of 297 days to 753 days, and a decrease in the weighted average exercise price from \$7.665 per share to \$4.325 per share. Fair value was determined using the Black-Scholes Option Pricing Model. The incremental value as a result of the modification is a one-time warrant expense totaling \$2,545,360.

On June 13, 2019, the Company issued 28,000 shares of common stock under a consulting agreement to an unrelated party. The stock price at the time of issuance was \$2.53 resulting in a stock-based compensation of \$70,840. The term of the consulting agreement is 6 months with monthly payments equal to \$5,000 payable in months three through six of the agreement.

On July 1, 2019, the Company issued 200,000 common stock options under the Incentive Stock Option Agreement. The options vest equally over an 8 year term and have an exercise price of \$3.52 per share. Utilizing a Black-Scholes Option Pricing model, the value of these options at issuance was determined to be \$540,000, which is being amortized over the vesting term.

On August 16, 2019, the Company issued 300,000 shares of Class A Common Stock in conjunction with a \$800,000 loan from an unrelated party. Based on a relative fair value calculation, the stock issuance created a debt discount totaling \$210,581 which was fully amortized.

On August 27, 2019, the Company issued 3,600,000 shares of Class A Common Stock at a price of \$1.04 per share. In conjunction with the common stock issuance, the Company issued warrants to purchase up to 3,600,000 shares of common stock at \$.01 for each warrant in conjunction with its effective S-3/A Registration Statement. Net proceeds to the Company amounted to \$3,409,600. The warrants to purchase common stock carry an exercise price of \$1.20 and a 5-year term. Offering costs totaled \$370,400, which has been recorded as a reduction of equity.

On September 30, 2019, the Company issued warrants to purchase up to 445,400 shares of common stock at \$.01 for each warrant in conjunction with its effective S-3/A Registration Statement. Net proceeds to the Company amounted to \$4,098. The warrants to purchase common

stock carry an exercise price of \$1.20 and a 5-year term. Offering costs totaled \$356, which has been recorded as a reduction of equity.

On October 11, 2019, the Company issued 70,328 shares of Class A Common Stock pursuant to prior stock purchase agreement dated May 30, 2019. The share price at issuance was \$0.67.

On October 23, 2019, the Company issued 23,077 shares of Class A Common Stock pursuant to an agreement for public relations. The share price at issuance was \$0.70.

On October 31, 2019, the Company issued 50,000 shares of Class A Common Stock pursuant to an agreement for investor relations. The share price at issuance was \$0.74.

#### SERIES A PREFERRED STOCK

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series A Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 5,000,000 shares of Series A Preferred stock. The Series A Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. Effective November 5, 2018, the eleven Series A Preferred holders elected to proportionally convert a total of 4,336,012 of the 4,817,792 total Series A Preferred stock outstanding into 14,453,373 common shares of the company, and as a result, 481,780 shares of Series A Preferred stock remained. On February 14, 2019, the remaining outstanding shares of Series A Preferred stock were converted into 1,509,07 common shares of the company.

Pursuant to the Series A Preferred Stock Designation, the holders of the Series A Preferred stock are entitled to three hundred thirty-three and one-third votes, on an "as-converted" basis, per each Series A Preferred share held of record on all matters to be voted upon by the stockholders. The holders of the Series A Preferred stock are not entitled to receive dividends.

The holders of the Series A Preferred stock are entitled to convert into common shares, at the holder's discretion, at a rate of one Series A Preferred share for three and one-third common shares. Any fractional common shares created by the conversion is rounded to the nearest whole common share.

Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of the Series A Preferred stock shall be entitled to receive in preference to the holders of the Common Stock a per share amount equal to \$1.65 per share.

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## SERIES B PREFERRED STOCK

Our certificate of incorporation authorizes our Board of Directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series B Preferred stock, par value \$0.001 per share, covering up to an aggregate of 20,000,000 shares of Series B Preferred stock. The Series B Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the Board of Directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. As of December 31, 2019 and 2018, 0 shares of Series B Preferred stock are outstanding, respectively. The amount outstanding as of 2017 includes 850,000 shares of Series B Preferred stock issued to investors and 53,157 shares of Series B Preferred stock issued as part of the 8.0% annual dividend that is accrued and paid in-kind, as described below.

The holders of Series B Preferred shares are entitled to no voting rights until the holder converts any or all of their Series B Preferred shares to common shares. The holders of the Series B Preferred shall accrue and pay-in-kind with additional Series B Preferred stock a dividend based on an 8.0% annual percentage rate, compounded quarterly in arrears, for any Series B Preferred stock that is outstanding at the end of such prior quarter.

The holders of the Series B Preferred stock are entitled to convert into common shares, at the holder's discretion, at a conversion price of Three Dollars Sixty Cents (\$3.60) per share of common stock, subject to certain price adjustments found in the Series B Preferred stock purchase agreements.

Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Series B Preferred shares shall have a liquidation preference to the common shares and Series A Preferred shares outstanding in the amount equal to the amount initially invested by the Series B Preferred holder in the Series B Preferred stock at the time of such investment minus the pro rata amount that has been converted into common stock or redeemed.

On November 7, 2018, all outstanding shares totaling 964,290 Series B preferred shares were converted into 267,859 common shares of the company in a cashless conversion.

## SERIES C PREFERRED STOCK

Our certificate of incorporation authorizes our Board of Directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series C Preferred stock, par value \$0.001 per share, covering up to an aggregate of 20,000,000

shares of Series C Preferred stock. The Series C Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the Board of Directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders.

The holders of Series C Preferred shares are entitled to vote on an “as-converted” basis of one share of Series C Preferred Stock voting for one vote of common stock. The holders of the Series C Preferred shall accrue and pay-in-kind with additional Series C Preferred stock a dividend based on an 10.0% annual percentage rate, compounded annually in arrears, for any Series C Preferred stock that is outstanding at the end of such prior year.

The holders of the Series C Preferred stock are entitled to convert into common shares, at the holder’s discretion, at a conversion price of Six Dollars (\$6.00) per share of common stock, subject to certain price adjustments found in the Series C Preferred stock purchase agreements. Should the company complete an equity offering (including any offering convertible into equity of the Company) of greater than Five Million Dollars (\$5,000,000) (the “Underwritten Offering”), then the Series C Preferred stock shall be automatically and without notice convertible into Common Stock of the company concurrently with the subsequent Underwritten Offering at the same per share offering price of the Underwritten Offering. If the Underwritten Offering occurs within twelve months of the issuance of the Series C Preferred stock to the holder, the annual dividend of 10.0% shall become immediately accrued to the balance of the Series C Preferred stock and converted into the Underwritten Offering.

Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Series C Preferred shares shall have a liquidation preference to the common shares at an amount equal to \$1.00 per share.

On November 27, 2018, 50,000 shares of Series C preferred shares were sold at \$1.00 per share resulting in proceeds of \$50,000 for the Company. On February 21, 2019, all outstanding shares totaling 50,000 of Series C preferred shares were converted into 122,750 shares of Class A Common Stock in a cashless exchange.

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**“BLANK CHECK” PREFERRED STOCK**

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time up to an aggregate of 70,000,000 shares of preferred stock that is considered “blank check”. The blank check preferred stock shall be designed by the Board of Directors at the time of classification

**OPTIONS AND WARRANTS**

On June 5, 2019, the Company issued options to certain employees in the amount of 175,000 under an adopted stock option plan. The issuance of employee options resulted in an expense totaling \$4,910. The total expense will be \$353,500 which will be amortized over the three-year vesting period.

On June 12, 2019, the Company restructured a series of warrants; C-1, C-2, C-3 and C-4, held by an unrelated party as part of the ARC business loan which resulted in an increase in the number of warrants issued from 1.6 million shares across four warrants to 3.0 million shares across four warrants; an increase in the term of the warrants from the date of the amendment from a weighted average of 297 days to 753 days, and a decrease in the weighted average exercise price from \$7.665 per share to \$4.325 per share. Fair value was determined using the Black-Scholes Option Pricing Model. The incremental value as a result of the modification is a one-time warrant expense totaling \$2,545,360 as of June 30, 2019.

On July 1, 2019, the Company issued 200,000 common stock options under the Incentive Stock Option Agreement. The options vest equally over an 8 year term and have an exercise price of \$3.52 per share. Utilizing a Black-Scholes Option Pricing model, the value of these options at issuance was determined to be \$540,000, which is being amortized over the vesting term.

On September 30, 2019, the Company issued warrants to purchase up to 445,400 shares of common stock at \$.01 for each warrant in



conjunction with its effective S-3/A Registration Statement. Net proceeds to the Company amounted to \$4,098. The warrants to purchase common stock carry an exercise price of \$1.20 and a 5-year term. Offering costs totaled \$356, which has been recorded as a reduction of equity.

During the period the options and warrants are outstanding, we will reserve from our authorized and unissued common stock a sufficient number of shares to provide for the issuance of shares of common stock underlying the options and warrants upon the exercise of the options and warrants. No fractional shares will be issued upon the exercise of the options or warrants. The options and warrants are not listed on any securities exchange. Except as otherwise provided within the option or warrant, the option and warrant holders have no rights or privileges as members of the Company until they exercise their options or warrants.

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**Item 6. Selected Financial Data.**

The registrant qualifies as a smaller reporting company, as defined by Rule 229.10(f)(1) and is not required to provide the information required by this Item.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements that*

*involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this report. The management's discussion, analysis of financial condition, and results of operations should be read in conjunction with our financial statements and notes thereto contained elsewhere in this annual report.*

## **Overview.**

Our primary source of revenue is the sale of metallurgical coal and coal used in pulverized coal injection (PCI). Both metallurgical and PCI coal is an essential building block in the steel manufacturing process.

The overall outlook of the metallurgical coal business is dependent on a variety of factors such as pricing, regulatory uncertainties and global economic conditions. Coal consumption and production in the U.S. have been driven in recent periods by several market dynamics and trends, such as the global economy, a strong U.S. dollar and accelerating production cuts.

## **Results of Operations.**

### **Year Ended December 31, 2019 compared to Year Ended December 31, 2018.**

#### **Revenues.**

Revenues for the year ended December 31, 2019 were \$24,477,707 and 2018 were \$31,524,825, respectively. The primary drivers for revenue decline was the conclusion of legacy contracts and full shift to production of metallurgical and industrial coal.

For the year ended 2019, tons sold to steel making end users amounted to 179,381 with a realized sales price of \$83.36. For the year ended 2018, tons sold to steel making end users amounted to 207,723 with a realized sales price of \$84.21.

For the year ended 2018, tons sold to industrial and utility end users amounted to 146,537 with a realized sales price of \$61.60. For the year ended 2018, tons sold to industrial and utility end users amounted to 144,648 with a realized sales price of \$94.91.

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**Expenses.**

Total Operating Expenses for the year ended December 31, 2019 were \$84,463,786 and 2018 were \$43,201,530, respectively. The primary drivers for increase in operating expenses were an increase in development costs and non cash expenses such as impairment of assets which were sold subsequent to year end, Production expenses, such as underground mine roof control, mining consumables and wages increased as coal mining production increased. The increased need for production expenses was caused by the increased demand for the end product due to market demands and customer orders. If demand from customers for our coal continues to increase, we anticipate these production expenses will also increase.

Total Other Income/(Expenses) for the period ended December 31, 2019 were \$(9,427,658) and 2018 were \$(1,260,607), respectively. The primary driver for the increase in other income was the gain on disposition of non-core assets.

**Financial Condition.**

Total Assets as of December 31, 2019 amounted to \$35,375,431 and 2018 amounted to \$41,363,712, respectively. The primary drivers for lower asset balance were the asset disposition of the Point Rock Mine as well as annual depreciation.

Total Liabilities as of December 31, 2019 amounted to \$66,575,508 and 2018 amounted to \$50,563,534, respectively. The primary drivers for the increase in liability balance was increase debt borrowing during the year.

**Liquidity and Capital Resources.**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern which contemplates, among other things, the realization of assets and satisfaction of liabilities in the ordinary course of business.

We are not aware of any trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in material increases or decreases in liquidity.

**Business Effect of Covid-19.**

During 2020, the worldwide COVID-19 outbreak has resulted in muted demand for infrastructure and steel products and their necessary inputs including Metallurgical coal. These recent developments are expected to result in lower sales and gross margins. Because of the adverse market conditions caused by the global pandemic the Company's operations were idled in January 2020 and remained idled through the report date.

**Capital Resources.**

We had no material commitments for capital expenditures as of December 31, 2019.

**Off-Balance Sheet Arrangements**

As of December 31, 2019, we had no off-balance sheet arrangements.

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**Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses reported for the period then ended.

*Mine development costs.* Mine development costs represent the costs incurred to prepare future mine sites for mining. These costs include costs of acquiring, permitting, planning, research, and establishing access to identify mineral reserves and other preparations for commercial production as necessary to develop and permit the properties for mining activities. Operating expenditures, including certain professional fees and overhead costs, are not capitalized but are expensed as incurred.

Amortization of mine development costs, with respect to a specific mine, commences when mining of the related reserves begins. Amortization is computed using the units-of-production method over the proven and probable reserves dedicated to the specific mine.

*Asset retirement obligations.* We recognize as a liability an asset retirement obligation, or ARO, associated with the retirement of a tangible long-lived asset in the period in which it is incurred or becomes determinable, with an associated increase in the carrying amount of the related long-lived asset. The initially recognized asset retirement cost is amortized using the same method and useful life as the long-lived asset to which it relates. Amortization begins when mining of the specific mineral property begins. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value.

Estimating the future ARO requires management to make estimates and judgments regarding timing and existence of a liability, as well as what constitutes adequate restoration. Inherent in the fair value calculation are numerous assumptions and judgments including the ultimate costs, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the related asset.

*Impairment of Long-lived Assets.* We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events and circumstances include, but are not limited to, a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition.

When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying amount. If the projected undiscounted cash flows are less than the carrying amount, an impairment is recorded for the excess of the carrying amount over the estimated fair value.

We make various assumptions, including assumptions regarding future cash flows in our assessments of long-lived assets for impairment. The assumptions about future cash flows and growth rates are based on the current and long-term business plans related to the long-lived assets.

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**Item 7A. Quantitative and Qualitative Disclosure About Market Risk.**

The Company qualifies as a smaller reporting company, as defined by SEC Rule 229.10(f)(1) and is not required to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data.**

The report of the independent registered public accounting firm and the financial statements listed on the accompanying index at page F-1 of this report are filed as part of this report and incorporated herein by reference.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

We did not have any disagreements on accounting and financial disclosure with our accounting firm during the reporting period.

**Item 9A. Controls and Procedures**

**(a) Evaluation of Disclosure Controls and Procedures.**

The management, with participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 12a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgement in evaluating the benefits of possible controls and procedures relative to their costs.



Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2019, due to the weakness in internal control over financial reporting described below, our disclosure controls and procedures are not designed at a reasonable assurance level or effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As discussed below, we plan on increasing the size of our accounting staff at the appropriate time for our business and its size to ameliorate the concern that the Company does not effectively segregate certain accounting duties, which we believe would resolve the material weakness in internal control over financial reporting and similarly improve disclosure controls and procedures, but there can be no assurances as to the timing of any such action or that the Company will be able to do so.

**(b) Management's Annual Report on Internal Control over Financial Reporting.**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed under the supervision of the Company's Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with the U.S. generally accepted accounting principles.

As of December 31, 2019, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 and based on the criteria for effective internal control described *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.. Based on this evaluation, management concluded that our internal controls over financial reporting were not effective for the purposes for which it is intended. Specifically, managements determination was based on the following material weakness which existed as of December 31, 2019:

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Due to the Company's insufficient number of staff performing accounting and reporting functions, there is a lack of segregation of duties within the financial reporting function resulting in limited level of multiple reviews among those tasked with preparing the financial statements, resulting in the need for adjustments.

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Notwithstanding the determination that our internal control over financial reporting was not effective, as of December 31, 2019, and that there was a material weakness as identified in this Annual Report, we believe that our consolidated financial statements contained in this Annual Report fairly present our financial position, results of operations and cash flows for the years covered hereby in all material respects.

The management, including its Principal Executive Officer and Principal Financial Officer, does not expect that its disclosure controls and procedures, or its internal controls over financial reporting will prevent all error and all fraud. A control system no matter how well conceived and operated, can provide only reasonable not absolute assurance that the objectives of the control system are met. Further, the design of control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any within the Company have been detected.

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

This report shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of this section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**(c) Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during the period ended December 31, 2019 that have materially affected the Company's internal controls over financial reporting.

**Item 9B. Other Information.**

None.

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**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

***Directors and Executive Officers.***

The following individuals serve as our executive officers and members of our board of directors as of December 31, 2019:

Name	Age	Positions
Mark C. Jensen	40	Chief Executive Officer, Chairman of the Board of Directors
Thomas M. Sauve	41	President, Director
Kirk P. Taylor	41	Chief Financial Officer
Tarlis R. Thompson	36	Chief Operating Officer
Randal V. Stephenson	59	Director
Ian Sadler	68	Director- Former
Courtenay O. Taplin	70	Director

#### **Mark C. Jensen (age 40) – Chief Executive Officer**

Mark has been an operator, investor and consultant in various natural resources and energy businesses. He has been highly involved in the navigation of numerous growth businesses to mature businesses, working as a managing member at T Squared Capital LLC since 2007, an investment firm focused on private equity styled investing in start-up businesses. Mark has significant experience with major Wall Street firms such as Citigroup and graduated from the Kelley School of Business at Indiana University with a BS in Finance and International Studies with a focus on Business. Mark also studied in Sydney Australia through Boston University completing his International Studies degree with a focus on East Asian culture and business. There are no arrangements or understandings between Mark and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

#### **Thomas M. Sauve (age 41) – President**

Tom has been involved a number of energy related businesses. Prior he had been an investor and partner in various natural resources assets over the last seven years including coal mining operations and various oil and gas wells throughout Texas and the Appalachia region. Since 2007, Tom also worked as a managing member at T Squared Capital LLC, an investment firm focused on private equity styled investing in start-up businesses Tom received his Bachelor's degree in Economics, magna cum laude, from the University of Rochester, New York, with additional studies at the Simon Graduate School of Business. There are no arrangements or understandings between Tom and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

#### **Kirk Taylor, CPA (age 41) – Chief Financial Officer**

Kirk conducts all tax and financial accounting roles of the organization, and has substantial experience in tax credit analysis and financial structure. Kirk's main focus over his 13 years in public accounting had been the auditing, tax compliance, financial modeling and reporting on complex real estate and business transactions utilizing numerous federal and state tax credit and incentive programs. Prior to joining American Resources Corporation, Kirk was Chief Financial Officer of Quest Energy, Inc., ARC's wholly-owned subsidiary. Prior to joining Quest Energy in 2015, he was a Manager at K.B. Parrish & Co. LLP where he worked since 2014. Prior to that, he worked at Katz Sapper Miller since 2012 as Manager. In addition, Kirk is an instructor for the CPA examination and has spoken at several training and industry conferences. He received a BS in Accounting and a BS in Finance from the Kelley School of Business at Indiana University, Bloomington Indiana and is currently completing his Masters of Business Administration from the University of Saint Francis at Fort Wayne, Indiana. Kirk serves his community in various ways including as the board treasurer for a community development corporation in Indianapolis, Indiana. Kirk does not have any family relationships with any of the Company's directors or executive officers. There are no arrangements or understandings between Kirk and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

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**Tarlis R. Thompson (age 36) – Chief Operating Officer**

Tarlis oversees all operations at American Resources' Central Appalachian subsidiaries, which includes McCoy Elkhorn, Deane Mining, and Knott County Coal. In this role, Tarlis manages the activities at the company's various coal processing facilities and loadout, coordinates coal production at the company's various mines, manages environmental compliance and reclamation, and is responsible for coal quality control and shipments to customers. Tarlis graduated from Millard High School in Kentucky in 2001 and subsequently worked for Commercial Testing and Engineering, working underground, performing surveying services and coal sampling. In 2002 he joined SGS Minerals, working as a Quality Control Manager. Shortly thereafter, he joined Massey Energy, working as logistics manager for coal shipments via truck and train, as well as a coal quality manager, working under Jim Slater and Mike Smith. After several years at Massey, Tarlis joined Central Appalachian Mining (CAM), in charge of lab analysis and environmental compliance at CAM's various processing plants and loadouts. Tarlis graduated from Millard High School and has additional courses in Mining Engineering from Virginia Tech (Training), Business Administration Management from National College in Pikeville, and LECO Certified Course from West Virginia Training Institute. Tarlis does not have any family relationships with any of the Company's directors or executive officers. There are no arrangements or understandings between Tarlis and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

**Directors:**

**Mark C. Jensen – Chairman of Board & Director**

Mark has been an operator, investor and consultant in various natural resources and energy businesses. He has been highly involved in the navigation of numerous growth businesses to mature businesses, working as a managing member at T Squared Capital LLC since 2007, an investment firm focused on private equity styled investing in start-up businesses. Mark has significant experience with major Wall Street firms such as Citigroup and graduated from the Kelley School of Business at Indiana University with a BS in Finance and International Studies with a focus on Business. Mark also studied in Sydney Australia through Boston University completing his International Studies degree with a focus on East Asian culture and business. There are no arrangements or understandings between Mark and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

**Thomas M. Sauve – Director**

Tom has been involved a number of energy related businesses. Prior he had been an investor and partner in various natural resources assets over the last seven years including coal mining operations and various oil and gas wells throughout Texas and the Appalachia region. Since 2007, Tom also worked as a managing member at T Squared Capital LLC, an investment firm focused on private equity styled investing in start-up businesses. Tom received his Bachelor's degree in Economics, magna cum laude, from the University of Rochester, New York, with additional studies at the Simon Graduate School of Business. There are no arrangements or understandings between Tom and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

**Randal V. Stephenson – Director**

Randal serves as Director of American Resources Corporation. He is an investment banking, strategy and corporate finance professional with over 25 years of experience in mergers, acquisitions, sale of companies, private capital placements, strategic planning and corporate development. Randal has Wall Street Bulge Bracket investment banking experience, and previously was the Global Head of Mergers & Acquisitions for CIT

Group, the Head of Exclusive Sales & Divestitures M&A for Jefferies & Company, and the Global Head of Energy & Mining Investment Banking for Duff & Phelps Securities. Randal co-founded a FINRA broker-dealer and is a leading U.S. expert witness in large dollar, complex commercial litigation involving M&A and corporate finance issues. Randal graduated with a Bachelor of Arts degree from the University of Michigan, Ann Arbor and has a Master of Business Administration degree from Harvard University and his Juris Doctorate (with honors) from Boston College Law School. He is an attorney admitted to practice in New York, and holds the Series 7, 79, 63 and 24 securities licenses. The Board nominated Randal to serve as a director because of his leadership experience and leadership in the finance industry and assisting companies with mergers and acquisitions and capital raising.

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**Ian Sadler - Director** (Former)

Ian serves as Director of American Resources Corporation. He brings decades of direct leadership and experience in the steel industry and has demonstrated expertise in successfully leading rapidly-growing companies, optimizing operational efficiencies and performance enhancements. He has experience in due diligence, joint ventures and mergers and acquisitions with a history of successfully assimilating acquired businesses into value creating enterprises. Prior to retirement, Ian was the President and CEO of Miller Centrifugal Casting International in Cecil, PA. He has a history of leadership with the Pennsylvania Foundry Group, Shenango LLC, Johnstown Corporation, Blaw-Knox Corp., and National Roll



Company. He received his Bachelor's Degree, with First Class Honors, and Master's Degree in Metallurgy from Cambridge University and was a prior President of the American Institute of Mining, Metallurgical and Petroleum Engineers (AIME) and previously served as President of the Iron and Steel Society. The Board nominated Ian to serve as a director because of his executive management experience and experience with growing companies in an efficient and cost-effective manner. Effective February 24, 2020, Mr. Sadler resigned from the board for retirement.

#### **Courtenay O. Taplin – Director**

Courtenay serves as Director of American Resources Corporation. He brings over 40 years of experience of sourcing and supplying iron ore, coke and metallurgical coal to the steel industry to assist American Resources with their supply chain, logistics, customers, overall corporate strategy. He has a vast knowledge of both the global and domestic marketplace where he works with both suppliers and consumers. Courtenay is currently Managing Director of Compass Point Resources, LLC which he founded in 2007. His prior experience includes Crown Coal & Coke Company and Pickands Mather & Company out of Cleveland, OH. Mr. Taplin attended Hobart College and received his degree from Case Western Reserve University. The Board nominated Courtenay to serve as a director because of his experience and relationships in the raw materials and coking sector and his experience in managing growing businesses.

None of the directors have been involved in any legal proceedings that would require a disclosure under Item 401 of Regulation SK.

During the past ten years, none of our directors or executive officers has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;
- found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated;
- subject of, or a party to, any order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of a federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies, law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

None of our directors, executive officers or affiliates, or any beneficial owner of 5% or more of our common stock, or any associate of such persons, is an adverse party in any material proceeding to, or has a material interest adverse to, us.

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**Separation of Duties of the Chairman of the Board, the Chief Executive Officer and the President**

Due to the inherent limitations of nonexecutive chairs, the duties of the Chairman of the Board and the Chief Executive Officer have not been separated. In order to increase objectivity and fiduciary responsibilities to the shareholders both in appearance and operation, the duties of the Chief Executive Officer and the President have been separated.

**Director Independence**

Currently our board of directors consist of Mark C. Jensen, our Chief Executive Officer, Thomas M. Sauve, our President, Randal V. Stephenson, Ian Sadler, and Courtenay O. Taplin, of which Messrs Stephenson, Sadler, and Taplin are considered independent in accordance under the requirements of the NASDAQ, NYSE and SEC.

**Limitation of Director Liability; Indemnification**

**Indemnity**

To the fullest extent permitted by the Florida Business Corporation Act, the Company shall indemnify, or advance expenses to, any person made, or threatened to be made, a party to any action, suit or proceeding by reason of the fact that such person (i) is or was a director of the Company; (ii) is or was serving at the request of the Company as a director of another Company, provided that such person is or was at the time a director of the Company; or (iv) is or was serving at the request of the Company as an officer of another Company, provided that such person is or was at the time a director of the Company or a director of such other Company, serving at the request of the Company. Unless otherwise expressly prohibited by the Florida Business Corporation Act, and except as otherwise provided in the previous sentence, the Board of Directors of the Company shall have the sole and exclusive discretion, on such terms and conditions as it shall determine, to indemnify, or advance expenses to, any person made, or threatened to be made, a party to any action, suit, or proceeding by reason of the fact such person is or was an officer, employee or agent of the Company as an officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise. No person falling within the purview of this paragraph may apply for indemnification or advancement of expenses to any court of competent jurisdiction.

***Section 16(a) Beneficial Ownership Reporting Compliance***

Our shares of common stock are registered under the Exchange Act, and therefore our officers, directors and holders of more than 10% of our outstanding shares are subject to the provisions of Section 16(a) which requires them to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. During the fiscal year ended December 31, 2018, none of our officers, directors or 10% shareholders failed to file any Section 16 report on a timely basis.

***Code of Ethics***

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. In addition to the Code of Business Conduct and Ethics, our principal executive officer, principal financial officer and principal accounting officer are also subject to written

policies and standards that are reasonably designed to deter wrongdoing and to promote: honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to the SEC and in other public communications made by us; compliance with applicable government laws, rules and regulations; the prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and accountability for adherence to the code. We have posted the text of our Code of Business Conduct and Ethics on our internal website. We intend to disclose future amendments to, or waivers from, certain provisions of our Code of Business Conduct and Ethics as applicable.

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***Legal Proceedings.***

To the best of our knowledge, except as set forth herein, none of the directors or director designees to our knowledge has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement.

## **Committees of the Board of Directors**

Currently, our board of directors has three committees: an Audit Committee, a Compensation Committee, and a Safety and Environmental Committee. The Audit Committee and Compensation Committee are both comprised of the three independent directors of the Company. The Safety and Environmental Committee is comprised of Thomas M. Sauve and Mark C. Jensen. The composition and responsibilities of the three committees are described below.

### **Audit Committee**

As required by the rules of the SEC, the audit committee consists solely of independent directors, who are Messrs Stephenson, Sadler, and Taplin. SEC rules also require that a public company disclose whether its audit committee has an “audit committee financial expert” as a member. An “audit committee financial expert” is defined as a person who, based on his or her experience, possesses the attributes outlined in such rules.

This committee oversees, reviews, acts on and reports on various auditing and accounting matters to our board of directors, including: the selection of our independent accountants, the scope of our annual audits, fees to be paid to the independent accountants, the performance of our independent accountants and our accounting practices. In addition, the audit committee oversees our compliance programs relating to legal and regulatory requirements. We have adopted an audit committee charter defining the committee’s primary duties in a manner consistent with the rules of the SEC and applicable stock exchange or market standards.

### **Compensation Committee**

As required by the rules of the SEC, the compensation committee consists solely of independent directors, who are Messrs Stephenson and Sadler. The purpose of this committee shall be to (i) assist the board of directors in the oversight of the Company’s executive officer and director compensation programs, (ii) discharge the board of director’s duties relating to administration of the Company’s incentive compensation and any other stock- based plans, and (iii) act on specific matters within its delegated authority, as determined by the board of directors from time to time.

### **Safety and Environmental Committee**

The board of directors formed a Safety and Environmental Committee, which is comprised of Messrs Jensen and Sauve. The purpose of this committee is to assist the board in fulfilling its responsibilities by providing oversight and support in assessing the effectiveness of the Company’s environmental, health, and safety policies, programs and initiatives. This committee will monitor the continued effectiveness of these policies and procedures by periodically reviewing the applicable environmental, health and safety laws, rules and regulations. The Committee will also perform such other functions as the Board may assign to the Committee from time to time.

### **Item 11. Executive Compensation.**

The following table sets forth information concerning the annual and long-term compensation of our executive officers for services rendered in all capacities to us during the last two completed fiscal years. The listed individuals shall hereinafter be referred to as the “Named Executive Officers.” We also have included below a table regarding compensation paid to our directors who served during the last completed fiscal year. The address for all individuals identified in the following tables is 9002 Technology Lane, Fishers, IN 46038.

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**Summary Compensation Table - Officers**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-equity Incentive plan Compensation (\$)	Nonqualified deferred compensation earnings (\$)	All other Compensation (\$)	Total (\$)
Mark C. Jensen, (1) CEO	2019	156,000	-0-	-0-	-0-	-0-	-0-	15,550	171,550
	2018	156,000	-0-	-0-	-0-	-0-	-0-	16,326	172,326
Thomas M. Sauve, (2) President	2019	156,000	-0-	-0-	-0-	-0-	-0-	15,550	171,550
	2018	156,000	-0-	-0-	-0-	-0-	-0-	16,326	172,326
Kirk P. Taylor, (3) CFO	2019	156,000	-0-	-0-	-0-	-0-	-0-	25,467	181,467
	2018	156,000	-0-	-0-	-0-	-0-	-0-	23,006	179,006
Tarlis R Thompson, (4) COO	2019	117,055	-0-	-0-	151,500	-0-	-0-	-0-	268,555
	2018	117,055	-0-	-0-	76,624	-0-	-0-	-0-	193,679

- (1) During 2017 salary in the amount of \$32,000 was accrued and unpaid during 2017 and 2018. During 2019, \$15,550 was repaid leaving an unpaid balance of \$16,450. On January 2, 2018, the Company entered into an employment agreement with Mr. Jensen, at an annual salary rate of \$156,000 which expired on December 31, 2019. The Company also has provided for a discretionary quarterly performance bonus of up to \$.64 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. No bonus was awarded during 2018 and 2019. During 2019, other compensation totaling \$15,550 included \$15,550 of retroactive pay.
- (2) During 2017 salary in the amount of \$32,000 was accrued and unpaid during 2017 and 2018. During 2019, \$12,672 was repaid leaving an unpaid balance of \$19,328. On January 2, 2018, the Company entered into an employment agreement with Mr. Sauve, at an annual salary rate of \$156,000, which expired on December 31, 2019. The Company also has provided for a discretionary quarterly performance bonus of up to \$.54 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. No bonus was awarded during 2018 and 2019. Other compensation totaling \$15,550 included \$2,878 health insurance reimbursement and \$12,672 of retroactive pay.
- (3) During 2017 salary in the amount of \$21,487 was accrued and unpaid during 2017 and 2018. During 2019, \$13,109 was repaid leaving an unpaid balance of \$8,378. On January 2, 2018, the Company entered into an employment agreement with Mr. Taylor, at an annual rate of \$156,000, which expired on December 31, 2019. The Company also has provided for a discretionary quarterly performance bonus of up to \$.20 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. No bonus was awarded during 2018 and 2019. Other compensation totaling \$25,467 included \$12,358 health insurance reimbursement and \$13,109 of retroactive pay.
- (4) There is no employment agreement in place for Mr. Thompson. In 2019, Mr. Thompson was awarded 75,000 options as part of the company's 2018 stock option plan. The options to Mr. Thompson vest equally over the course of three years, and as of December 31, 2019, none of the options have vested.

### Director Compensation

(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name and principal position		Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified deferred compensation earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark C. Jensen (1)	2019	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Thomas M. Sauve (2)	2019	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Randal V. Stephenson (3)	2019	-0-	-0-	120,450	-0-	-0-	1,496	121,946
	2018	-0-	-0-	120,450	-0-	-0-	1,496	121,946
Ian Sadler (4)	2019	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2018	-0-	-0-	120,450	-0-	-0-	-0-	120,450
Courtenay O. Taplin (5)	2019	-0-	-0-	120,450	-0-	-0-	-0-	120,450
	2018	-0-	-0-	120,450	-0-	-0-	-0-	120,450

- (1) During 2017 salary in the amount of \$32,000 was accrued and unpaid during 2017 and 2018. During 2019, \$15,550 was repaid leaving an unpaid balance of \$16,450. On January 2, 2018, the Company entered into an employment agreement with Mr. Jensen, at an annual salary rate of \$156,000 which expired on December 31, 2019. The Company also has provided for a discretionary quarterly performance bonus of up to \$.64 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. No bonus was awarded during 2018 and 2019. During 2019, other compensation totaling \$15,550 included \$15,550 of retroactive pay.
- (2) During 2017 salary in the amount of \$32,000 was accrued and unpaid during 2017 and 2018. During 2019, \$12,672 was repaid leaving an unpaid balance of \$19,328. On January 2, 2018, the Company entered into an employment agreement with Mr. Sauve, at an annual salary rate of \$156,000, which expired on December 31, 2019. The Company also has provided for a discretionary quarterly performance bonus of up to \$.54 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. No bonus was awarded during 2018 and 2019. Other compensation totaling \$15,550 included \$2,878 health insurance reimbursement and \$12,672 of retroactive pay.
- (3) Mr. Stephenson was appointed as a director on November 15, 2018. In 2019, Mr. Stephenson was awarded 15,000 options for services rendered as a director. The options to Mr. Stephenson vest equally over the course of three years. Other Compensation includes \$8,976 of health insurance premiums paid by the Company for 2019 and 2018, respectively. The Option Award to Directors in Column (d) of \$120,450 represents the amortized book value of warrants priced from November 15, 2018 valued using the Black-Scholes Option Pricing Model, and does not represent the actual cash value of the warrants to the warrant holder. Mr. Stephenson was appointed as a director of the Company on November 15, 2018 and awarded 15,000 warrants with a strike price of \$6.50 for services to be rendered as a director. The warrants to Mr. Stephenson vest equally over the course of three years.
- (4) Mr. Sadler was appointed as a director on November 15, 2018. In 2019, Mr. Sadler was awarded 15,000 options for services rendered as a director. The options to Mr. Sadler vest equally over the course of three years. The Option Award to Directors in Column (d) of \$120,450 represents the amortized book value of warrants priced from November 15, 2018 valued using the Black-Scholes Option Pricing Model, and does not represent the actual cash value of the warrants to the warrant holder. Mr. Sadler was appointed as a director of the Company on November 15, 2018 and awarded 15,000 warrants with a strike price of \$6.50 for services to be rendered as a director. The warrants to Mr. Sadler vest equally over the course of three years.
- (5) Mr. Taplin was appointed as a director on November 15, 2018. In 2019, Mr. Taplin was awarded 15,000 options for services rendered as a director. The options to Mr. Taplin vest equally over the course of three years. The Option Award to Directors in Column (d) of \$120,450 represents the amortized book value of warrants priced from November 15, 2018 valued using the Black-Scholes Option Pricing Model, and does not represent the actual cash value of the warrants to the warrant holder. Mr. Taplin was appointed as a director of the Company on November 15, 2018 and awarded 15,000 warrants with a strike price of \$6.50 for services to be rendered as a director. The warrants to Mr. Taplin vest equally over the course of three years.

No retirement, pension, profit sharing, stock option or insurance programs or other similar programs have been adopted by the Company for the benefit of its employees.

There are no understandings or agreements regarding compensation our management will receive after a business combination that is required to be included in this table, or otherwise.

## Employment Agreements

Except for our Chief Operating Officer, we have employment agreements with the Named Executive Officers that provide for the base salaries and a discretionary annual performance bonus of up to three times their annual base salary, plus potential participation in the Company's Employee Incentive Stock Option Plan. The payment of such bonus and/or incentive stock options shall be in the sole discretion of the Company's Board of Directors. The in place contracts expired on December 31, 2019.

## Outstanding Equity Awards

None of our current executive officers received any equity awards, including, options, restricted stock or other equity incentives from the Company as of the date hereof, other than our Chief Operating Officer, who was issued options under our Employee Incentive Stock Option Plan on June 5, 2019 to purchase up to 75,000 shares of our Company at \$2.63 per share and on September 12, 2018 to purchase up to 136,830 shares of our Company at \$1.00 per share. Those options vest equally over the course of three years.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table lists, as of December 31, 2019, the number of shares of our Class A Common Stock and Series A Convertible Preferred Stock that are beneficially owned by (i) each person or entity known to us to be the beneficial owner of more than 5% of our common stock; (ii) each executive officer and director of our company; and (iii) all executive officers and directors as a group. Information relating to beneficial ownership of Common Stock and our Convertible Preferred Stock by our principal shareholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days under any contract, option or warrant. Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. Except as noted below, each person has sole voting and investment power. Unless otherwise specified, the address of each beneficial owner listed in the tables is c/o American Resources Corporation, 9002 Technology Lane, Fishers, IN 46038.

Name and Address of Shareholder	Number of Shares of Common Stock Beneficially Owned (1)	Percent of Common Stock Owned
Golden Properties, Ltd. (2) (3)	2,122,878	9.99%
Thomas Shelton	1,727,273	6.37%

- (1) A person is deemed to be the beneficial owner of securities that can be acquired by such a person within 60 days upon exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such a person (but not those held by any other person) and are exercisable within 60 days from that date have been exercised;
- (2) Based on 30,116,384 shares of Common Stock deemed to be outstanding as if one or more warrants were exercised up to the maximum amount of 9.99% (or 3,005,872 shares) of the issued and outstanding number of shares at December 31, 2019. This percentage has been rounded for convenience;
- (3) Golden Properties, Ltd. is the owner of several Company common stock warrants for the purchase of shares of our Common Stock, which warrants are exercisable at such company's discretion, subject to the following limitation on amount. The warrant agreements provide that at no time may Golden Properties, Ltd. or its affiliates exercise any warrant that would result in their ownership of more than 9.99% of the issued and outstanding shares of our Common Stock on the date of exercise. Additionally, as of December 31, 2019 Alexander Lau, who is a principal of Golden Properties and a beneficial owner through Golden Properties, is believed to be a holder of 19,710 Class A Common shares. Accordingly, Golden Properties, Ltd. is presently deemed the beneficial owner of 3,005,872 shares of our Common Stock pursuant to Securities and Exchange Commission Rule 13d-3, promulgated under the Securities Exchange Act of 1934. The full number of shares that Golden Properties' beneficially owns (including all shares underlying all the warrants owned by Golden Properties and excluding those Class A Common shares owned by Alexander Lau stated above) is 6,148,213 shares.



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Name	Number of Shares of Series A Preferred Stock Beneficially Owned (4)	Percent of Series A Preferred Stock Owned (5)	Common Stock Beneficially Owned (4)	Percent of Common Stock Beneficially Owned (6)
<b>Officers and Directors</b>				
Mark C. Jensen, (7) Chief Executive Officer, Director	-	0%	5,231,241	19.30%
Thomas M. Sauve, (8) President, Director	-	0%	4,397,519	16.22%
Kirk P. Taylor, Chief Financial Officer	-	0%	1,620,383	5.98%
Tarlis R. Thompson, Chief Operating Officer	-	0%	163,170	0.60%
<b>All Directors and Officers as a Group (4 persons)</b>	<b>-</b>	<b>0%</b>	<b>11,412,313</b>	<b>42.10%</b>
<b>5% Holders</b>				
Gregory Q. Jensen	-	0%	1,620,383	5.98%
Thomas Shelton	-	0%	1,727,273	6.37%
<b>All Directors, Officers and 5% Holders as a Group (5 persons)</b>	<b>-</b>	<b>0%</b>	<b>14,759,969</b>	<b>54.45%</b>

(4) A person is deemed to be the beneficial owner of securities that can be acquired by such a person within 60 days from December 31, 2019, upon exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such a person (but not those held by any other person) and are exercisable within 60 days from that date have been exercised;

(5) Based on 0 shares of Series A Convertible Preferred Stock outstanding as of December 31, 2019;

(6) Based on 27,110,512 Class A Common Stock outstanding as of December 31, 2019. These percentages have been rounded for convenience;

(7) Mr. Jensen beneficially owns 92,264 shares of our Class A Common Stock through his equity ownership in T Squared Capital LLC, which shares are included in the table above.

(8) Mr. Sauve beneficially owns 61,509 shares of our Class A Common Stock through his equity ownership in T Squared Capital LLC, which shares are included in the table above.

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**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

***Transactions with Related Persons, Promoters and Certain Control Persons.***

On June 12, 2015, the Company executed a consulting agreement with an entity with common ownership. During 2018 and 2017, the Company incurred fees totaling \$0 and \$0 relating to services rendered under this agreement. The amount outstanding and payable as of December 31, 2018 and 2017, was \$0 and \$17,840,615, respectively. The amount is due on demand and does not accrue interest. On May 25, 2018, the related party agreed to terminate the agreement and extinguish the entire \$17,840,615 payable.

During 2015, equipment purchasing was paid by an affiliate resulting in a note payable. The balance of the note was \$74,000 as of December 31, 2019 and 2018, respectively.

On January 1, 2016, the Company awarded stock options for 827,862 shares in exchange for consulting efforts to an entity with common ownership. 636,830 and 0 stock options were awarded to related parties during 2019 or 2018, respectively.

On April 30, 2017, the Company purchased \$250,000 of secured debt that had been owed to that party, by an operating subsidiary of a related party. As a result of the transaction, the Company is now the creditor on the notes. The first note in the amount of \$150,000 is dated March 13, 2013, carries an interest rate of 12% and was due on September 13, 2015. The second note in the amount of \$100,000 is dated July 17, 2013, carries an interest rate of 12% and was due January 17, 2016. Both notes are in default and have been fully impaired due to collectability uncertainty as of December 31, 2019 and 2018, respectively.

During July 2017 and October 2018, an officer of the Company advanced \$50,000 and \$13,500, respectively, to the Company. The advance is non-secured, non-interest bearing and due on demand.

During December 2018, an officer of the Company advanced \$5,000 to the Company. The advance is non-secured, non-interest bearing and due on demand.

On February 13, 2020, the Company entered into a Contract Services Agreement with Land Betterment Corp, an entity controlled by certain members of the Company's management who are also directors and shareholders. The contract terms state that service costs are passed through to the Company with a 10% mark-up and a 50% share of cost savings and covers services across the Company's locations.

The Company, through its subsidiaries, leases property and mineral from a related entity, LRR. During the year ended December 31, 2019 and 2018, the Company incurred royalty expense in the amount of \$330,060.29 and \$153,673 to a related entity formally consolidated as a variable interest entity. As of December 31, 2019, and 2018, the Company owed the related entity a total of \$737,981 and \$474,654 for unpaid royalties and advances, respectively. From inception, October 24, 2016, through June 30, 2018, the accounts of LRR were consolidated with the company as a variable interest entity. Due to its ongoing review, on July 1, 2018 management determined that LRR no longer met the requirements of consolidation and the accounts were deconsolidated.

***Director Independence.***

The Board of Directors determined that Messrs. Stephenson, Sadler (resigned), and Taplin are independent are independent within the meaning of the listing standards for general independence of the NASDAQ Capital Market.

Under the listing standards, the Audit Committee is required to be composed solely of independent directors. The standards for audit committee membership include additional requirements under rules of the Securities and Exchange Commission. The Board has determined that all of the members of the audit committee meet the applicable independence requirements.

To the extent required by the trading market on which our shares are listed, we will ensure that the overall composition of our Board complies with the Sarbanes-Oxley Act, and the rules thereunder, and the listing requirements of the trading market, including the requirement that one member of the Board qualifies as a “financial expert.”

Item 14. Principal Accounting Fees and Services.

	2019	2018
Audit fees	\$ 235,000	\$ 235,000
Audit related fees	34,000	---
Tax fees	---	---
All other fees	---	---

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**PART IV**

**Item 15. Exhibits, Financial Statement Schedule.**

The following exhibits are filed herewith except as otherwise noted. Exhibits referenced in previous filings by the Company with the SEC are incorporated by reference herein.

Exhibit Number	Description	Location Reference
<a href="#">3.1</a>	<a href="#">Articles of Incorporation of Natural Gas Fueling and Conversion Inc.</a>	Incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, filed with the SEC on November 27, 2013.

<a href="#"><u>3.2</u></a>	<a href="#"><u>Amended and Restated Articles of Incorporation of NGFC Equities Inc.</u></a>	Incorporated herein by reference to Exhibit 3.1 to the Company's 8k filed on February 25, 2015.
<a href="#"><u>3.3</u></a>	<a href="#"><u>Articles of Amendment to Articles of Incorporation of NGFC Equities, Inc.</u></a>	Incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K on February 21, 2017.
3.4	Articles of Amendment to Articles of Incorporation of American Resources Corporation dated March 24, 2017.	Incorporated herein by reference to Exhibit 3.4 to the Company's Form 10-Q, filed with the SEC on May 15, 2018.
<a href="#"><u>3.5</u></a>	<a href="#"><u>Bylaws of Natural Gas Fueling and Conversion Inc.</u></a>	Incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 27, 2013.
<a href="#"><u>3.6</u></a>	<a href="#"><u>Bylaws, of NGFC Equities Inc., as amended and restated.</u></a>	Incorporated herein by reference to Exhibit 3.2 to the Company's 8k filed on February 25, 2015.
<a href="#"><u>3.7</u></a>	<a href="#"><u>Articles of Amendment to Articles of Incorporation of American Resources Corporation dated November 8, 2018.</u></a>	Filed as Exhibit 99.1 to the Company's 8k filed on November 13, 2018, incorporated herein by reference.
<a href="#"><u>3.8</u></a>	<a href="#"><u>Bylaws of American Resources Corporation, as amended and restated</u></a>	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on November 13, 2018.
<a href="#"><u>4.1</u></a>	<a href="#"><u>Common Stock Purchase Warrant "B-4" dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.1 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.2</u></a>	<a href="#"><u>Common Stock Purchase Warrant "C-1" dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.2 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.3</u></a>	<a href="#"><u>Common Stock Purchase Warrant "C-2" dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.3 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.4</u></a>	<a href="#"><u>Common Stock Purchase Warrant "C-3" dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.4 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.5</u></a>	<a href="#"><u>Common Stock Purchase Warrant "C-4" dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.5 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.6</u></a>	<a href="#"><u>Promissory Note for \$600,000.00 dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.6 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.7</u></a>	<a href="#"><u>Promissory Note for \$1,674,632.14 dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 4.7 to the Company's 8k filed on October 11, 2017.
<a href="#"><u>4.8</u></a>	<a href="#"><u>Loan Agreement for up to \$6,500,000 dated December 31, 2018</u></a>	Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on January 3, 2019.
<a href="#"><u>4.9</u></a>	<a href="#"><u>Promissory Note for up to \$6,500,000 dated December 31, 2018</u></a>	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on January 3, 2019.
<a href="#"><u>10.1</u></a>	<a href="#"><u>Secured Promissory Note</u></a>	Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on May 15, 2018.
<a href="#"><u>10.2</u></a>	<a href="#"><u>Security Agreement</u></a>	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on May 15, 2018.
<a href="#"><u>10.3</u></a>	<a href="#"><u>Pledge Agreement</u></a>	Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on May 15, 2018.
<a href="#"><u>10.4</u></a>	<a href="#"><u>Guaranty Agreement</u></a>	Incorporated herein by reference to Exhibit 99.4 to the Company's 8k filed on May 15, 2018.
<a href="#"><u>10.5</u></a>	<a href="#"><u>Bill of Sale</u></a>	Incorporated herein by reference to Exhibit 99.5 to the Company's 8k filed on May 15, 2018.
<a href="#"><u>10.6</u></a>	<a href="#"><u>Sublease Agreement Between Colonial Coal Company, Inc. and McCoy Elkhorn Coal LLC</u></a>	Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on May 1, 2018
<a href="#"><u>10.7</u></a>	<a href="#"><u>Interim Operating Agreement</u></a>	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on May 1, 2018
<a href="#"><u>10.8</u></a>	<a href="#"><u>Consolidated and Restated Loan and Security Agreement dated October 4, 2017</u></a>	Incorporated herein by reference to Exhibit 10.1 to the Company's 8k filed on October 11, 2017
<a href="#"><u>10.9</u></a>	<a href="#"><u>Asset Purchase Agreement between Wyoming County Coal LLC and Thomas Shelton dated November 7, 2018</u></a>	Incorporated herein by reference to Exhibit 10.9 to the Company's registration statement filed on February 14, 2019.

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<a href="#"><u>10.10</u></a>	<a href="#"><u>Asset Purchase Agreement between Wyoming County Coal LLC and Synergy Coal, LLC dated November 7, 2018</u></a>	Incorporated herein by reference to Exhibit 10.10 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.11</u></a>	<a href="#"><u>Security Agreement</u></a>	Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on January 3, 2019.
<a href="#"><u>10.12</u></a>	<a href="#"><u>Purchase Order</u></a>	Incorporated herein by reference to Exhibit 99.4 to the Company's 8k filed on January 3, 2019.
<a href="#"><u>10.13</u></a>	<a href="#"><u>Employment Agreement with Mark C. Jensen</u></a>	Incorporated herein by reference to Exhibit 10.13 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.14</u></a>	<a href="#"><u>Employment Agreement with Thomas M. Sauve</u></a>	Incorporated herein by reference to Exhibit 10.14 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.15</u></a>	<a href="#"><u>Employment Agreement with Kirk P. Taylor</u></a>	Incorporated herein by reference to Exhibit 10.15 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.16</u></a>	<a href="#"><u>Employee Stock Option Plan</u></a>	Incorporated herein by reference to Exhibit 10.16 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.17</u></a>	<a href="#"><u>Letter of Intent</u></a>	Incorporated herein by reference to Exhibit 10.17 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.18</u></a>	<a href="#"><u>Merger Agreement with Colonial Coal</u></a>	Incorporated herein by reference to Exhibit 10.18 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>10.19</u></a>	<a href="#"><u>Share Exchange Agreement to replace Merger Agreement with Colonial Coal</u></a>	Incorporated herein by reference to Exhibit 10.19 to the Company's registration statement filed on February 14, 2019.
<a href="#"><u>14.1</u></a>	<a href="#"><u>Code of Conduct</u></a>	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on November 13, 2018.
<a href="#"><u>14.2</u></a>	<a href="#"><u>Financial Code of Ethics</u></a>	Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on November 13, 2018.
<a href="#"><u>23.1</u></a>	<a href="#"><u>Consent of MaloneBailey LLP</u></a>	Incorporated Herewith
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>	Filed Herewith
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>	Filed Herewith
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>	Filed Herewith
<a href="#"><u>32.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>	Filed Herewith
<a href="#"><u>95.1</u></a>	<a href="#"><u>Mine Safety Disclosure pursuant to Regulation S-K, Item 104</u></a>	Filed Herewith.
<a href="#"><u>101.INS</u></a>	<a href="#"><u>XBRL Instance Document</u></a>	
<a href="#"><u>101.SCH</u></a>	<a href="#"><u>XBRL Taxonomy Extension Schema Document</u></a>	
<a href="#"><u>101.CAL</u></a>	<a href="#"><u>XBRL Taxonomy Extension Calculation Linkbase Document</u></a>	
<a href="#"><u>101.DEF</u></a>	<a href="#"><u>XBRL Taxonomy Extension Definition Linkbase Document</u></a>	
<a href="#"><u>101.LAB</u></a>	<a href="#"><u>XBRL Taxonomy Extension Label Linkbase Document</u></a>	
<a href="#"><u>101.PRE</u></a>	<a href="#"><u>XBRL Taxonomy Extension Presentation Linkbase Document</u></a>	

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### AMERICAN RESOURCES CORPORATION

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Mark C. Jensen</u> Mark C. Jensen	Principal Executive Officer, Chief Executive Officer, Chairman of the Board of Directors	May 29, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Mark C. Jensen</u> Mark C. Jensen	Principal Executive Officer, Chief Executive Officer, Chairman of the Board of Directors	May 29, 2020
<u>/s/ Kirk P. Taylor</u> Kirk P. Taylor	Principal Financial Officer, Chief Financial Officer	May 29, 2020
<u>/s/ Thomas M. Sauve</u> Thomas M. Sauve	Director, President	May 29, 2020
<u>/s/ Randal V. Stephenson</u> Randal V. Stephenson	Director	May 29, 2020
<u>/s/ Courtenay O. Taplin</u> Courtney O. Taplin	Director	May 29, 2020

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**Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants  
Which Have Not Registered Securities Pursuant to Section 12 of the Act**

None.



**AMERICAN RESOURCES CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

AMERICAN RESOURCES CORPORATION

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of  
American Resources Corporation

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of American Resources Corporation and its subsidiaries (collectively, the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Going Concern Matter***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP

www.malonebailey.com

We have served as the Company's auditor since 2017.

Houston, Texas

May 29, 2020





**AMERICAN RESOURCES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,324	\$ 2,293,107
Accounts Receivable	2,424,905	1,338,680
Inventory	515,630	163,800
Prepaid	-	147,826
Accounts Receivable - Other	234,240	319,548
Total Current Assets	<u>3,178,099</u>	<u>4,262,961</u>
<b>OTHER ASSETS</b>		
Cash - restricted	265,487	411,692
Processing and rail facility	12,723,163	11,630,171
Underground equipment	8,294,188	8,717,229
Surface equipment	3,224,896	3,101,518
Mine development	669,860	2,913,241
Coal Refuse Storage	12,171,271	11,993,827
Less Accumulated Depreciation	(11,162,622)	(6,691,259)
Land	1,748,169	907,193
Note Receivable	4,117,139	4,117,139
Total Other Assets	<u>32,051,551</u>	<u>37,100,751</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 35,229,650</b></u>	<u><b>\$ 41,363,712</b></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,044,479	\$ 8,121,162
Accounts payable - related party	718,156	474,654
Accrued interest	2,869,763	1,118,736
Funds held for others	-	79,662
Due to affiliate	132,639	142,500
Current portion of notes payables (net of unamortized discount of \$0 and \$134,296)	20,494,589	14,169,139
Convertible note payables	7,419,612	-
Current portion of reclamation liability	2,327,169	2,327,169
Total Current Liabilities	<u>45,006,407</u>	<u>26,433,022</u>
<b>OTHER LIABILITIES</b>		
Long-term portion of note payable (net of issuance costs \$417,183 and \$428,699)	5,415,271	7,918,872
Reclamation liability	17,512,613	16,211,640
Total Other Liabilities	<u>22,927,884</u>	<u>24,130,512</u>
Total Liabilities	<u>67,934,291</u>	<u>50,563,534</u>
<b>STOCKHOLDERS' DEFICIT</b>		
AREC - Class A Common stock: \$.0001 par value; 230,000,000 shares authorized, 27,410,512 and 17,763,469 shares issued and outstanding for the period end	2,740	1,776
AREC - Series A Preferred stock: \$.0001 par value; 481,780 shares authorized, nil and 4,817,792 shares issued and outstanding	-	48
AREC - Series B Preferred stock: \$.001 par value; 20,000,000 shares authorized, nil and nil shares issued and outstanding, respectively	-	-
AREC - Series C Preferred stock: \$.001 par value; 20,000,000 shares authorized, nil and 50,000 shares issued and outstanding	-	5
Additional paid-in capital	90,326,104	42,913,532
Accumulated deficit	<u>(123,033,485)</u>	<u>(52,115,183)</u>
Total Stockholders' Deficit	<u>(32,704,641)</u>	<u>(9,199,822)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u><b>\$ 35,229,650</b></u>	<u><b>\$ 41,363,712</b></u>

The accompanying footnotes are integral to the consolidated financial statements

**AMERICAN RESOURCES CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Coal Sales	\$ 24,456,831	\$ 31,204,181
Processing Services Income	20,876	320,644
<b>Total Revenue</b>	<b>24,477,707</b>	<b>31,524,825</b>
Cost of Coal Sales and Processing	(26,086,814)	(24,992,312)
Accretion Expense	(1,482,349)	(1,366,322)
Gain on purchase and disposal of asset, respectively	394,484	807,591
Depreciation	(4,588,136)	(2,461,557)
Amortization of mining rights	(1,657,673)	(478,801)
General and Administrative	(5,113,688)	(6,176,350)
Professional Fees	(6,750,848)	(1,363,250)
Production Taxes and Royalties	(4,222,175)	(3,175,294)
Impairment of Fixed Assets	(27,688,030)	-
<b>Development Costs</b>	<b>(7,236,652)</b>	<b>(3,815,235)</b>
<b>Total Expenses from Operations</b>	<b>(84,431,881)</b>	<b>(43,021,530)</b>
<b>Net Loss from Operations</b>	<b>(59,954,174)</b>	<b>(11,496,705)</b>
Other Income	2,072,861	466,808
(Loss)/Gain on settlement of note payable and accounts payable	(22,660)	68,010
Amortization of debt discount and debt issuance costs	(7,725,076)	(670,601)
Interest Income	164,686	164,166
Warrant modification expense	(2,545,360)	-
Interest expense	(2,908,579)	(1,288,990)
<b>Net Loss</b>	<b>(70,918,302)</b>	<b>(12,757,312)</b>
Less: Preferred Series B dividend requirement	-	(114,850)
Less: Net income attributable to Non Controlling Interest	-	(151,264)
<b>Net loss attributable to American Resources Corporation Shareholders</b>	<b>\$ (70,918,302)</b>	<b>\$ (13,023,426)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (2.94)</b>	<b>\$ (3.69)</b>
<b>Weighted average shares outstanding</b>	<b>24,094,420</b>	<b>3,513,513</b>

The accompanying footnotes are integral to the consolidated financial statements

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**AMERICAN RESOURCES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES STOCKHOLDERS OF DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Common Shares	Common Stock	Preferred A Shares	Preferred A Stock	Preferred B Shares	Preferred B Stock	Preferred C Shares	Preferred C Stock	Additional Paid-In Capital	Retained Earnings	Non- Controlling Interest	Total
<b>Balance January 1, 2018</b>	892,044	89	4,817,792	482	850,000	850	-	-	1,527,254	(39,091,757)	397,856	(37,165,226)
Forgiveness of accrued management fee	-	-	-	-	-	-	-	-	17,840,615	-	-	17,840,615
Issuance of shares to consultants	310,000	31	-	-	-	-	-	-	482,469	-	-	482,500
Issuance of options to consultants	-	-	-	-	-	-	-	-	236,594	-	-	236,594
Stock-based compensation	-	-	-	-	-	-	-	-	63,126	-	-	63,126
Asset acquisition using common shares	1,727,273	173	-	-	-	-	-	-	22,091,688	-	-	22,091,861
Conversion of payables to common shares	43,500	4	-	-	-	-	-	-	507,986	-	-	507,990
Conversion of Series A Preferred shares to common	14,453,373	1,445	(4,336,012)	(434)	-	-	-	-	(1,011)	-	-	-
Conversion of Series B Preferred shares to common	267,859	27	-	-	(850,000)	(850)	-	-	114,823	-	-	114,000
Sale of 50,000 Series C Preferred shares	-	-	-	-	-	-	50,000	5	49,995	-	-	50,000
Option exercise	69,420	7	-	-	-	-	-	-	(7)	-	-	-
Series B Preferred Dividend	-	-	-	-	-	-	-	-	-	(114,850)	-	(114,850)
Deconsolidation of variable interest entity	-	-	-	-	-	-	-	-	-	-	(549,120)	(549,120)



Net Loss										-	(12,908,576)	151,264	(13,059,840)
Balance December 31, 2018	17,763,469	1,776	481,780	48	-	-	50,000	5	42,913,532	(52,115,183)	-	(9,199,822)	

The accompanying footnotes are integral to the consolidated financial statements

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**American Resources Corporation**  
**Statement of Stockholders' Deficit**  
**December 31, 2019**

<b>American Resources Common Stock</b>	<b>American Resources Preferred Series A</b>	<b>American Resources Preferred Series B</b>	<b>American Resources Preferred Series C</b>
--	--	--	--

	Par value Shares	0.0001 Amount	Par Value Shares	0.0001 Amount	Par Value Shares	0.0001 Amount	Par Value Shares	0.0001 Amount	Additional paid in capital	Accumulated Deficit	Total
<b>January 1, 2019</b>	<b>17,763,469</b>	<b>1,776</b>	<b>481,780</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>5</b>	<b>42,913,532</b>	<b>(52,115,183)</b>	<b>(9,199,822)</b>
Issuance of Common Stock for Cash	4,795,200	479	-	-	-	-	-	-	7,763,121	-	7,763,600
Issuance of Common Shares for Services	360,315	36	-	-	-	-	-	-	1,906,217	-	1,906,253
Issuance of Common Shares for Asset Acquisition	2,000,000	200	-	-	-	-	-	-	24,399,800	-	24,400,000
Issuance of Common Shares for Conversion of Debt and Accounts payable	54,417	5	-	-	-	-	-	-	231,656	-	231,661
Issuance of Warrants to Consultants	-	-	-	-	-	-	-	-	2,524,500	-	2,524,500
Amortization of Options - Stock Based Compensation	-	-	-	-	-	-	-	-	377,255	-	377,255
Issuance of Common Shares for Warrant Exercise- cashless	599,427	60	-	-	-	-	-	-	(60)	-	-
Conversion of Series A into common stock	1,605,934	161	(481,780)	(48)	-	-	-	-	(113)	-	-
Conversion of Series C into common stock	13,750	1	-	-	-	-	(50,000)	(5)	4	-	-
Beneficial Conversion on note payable	-	-	-	-	-	-	-	-	7,362,925	-	7,362,925
Return of common shares	(107,000)	(11)	-	-	-	-	-	-	11	-	-
Warrant modification expense	-	-	-	-	-	-	-	-	2,545,360	-	2,545,360
Underwriter warrants	-	-	-	-	-	-	-	-	4,098	-	4,098
Issuance of common shares with note payable	325,000	33	-	-	-	-	-	-	297,798	-	297,831
Net loss	-	-	-	-	-	-	-	-	-	(70,918,302)	(70,918,302)
<b>Balance December 31, 2019</b>	<b>27,410,512</b>	<b>2,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,326,104</b>	<b>(123,033,485)</b>	<b>(32,704,641)</b>

The accompanying footnotes are integral to the consolidated financial statements

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**AMERICAN RESOURCES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	2019	2018
<b>Cash Flows from Operating activities:</b>		
Net loss	\$ (70,918,302)	\$ (12,757,312)
<b>Adjustments to reconcile net income (loss) to net cash</b>		
Depreciation	4,588,136	2,461,557
Amortization of mining rights	1,657,673	478,801
Accretion expense	1,482,349	1,366,322
Gain on disposition	-	(807,591)
Forgiveness of debt	-	(68,010)
Gain on purchase of assets	(394,484)	-
Impairment loss	27,688,030	-
Amortization of debt discount and issuance costs	7,725,076	670,601
Recovery of advances receivable	(177,686)	(74,887)
Warrant expense	2,524,500	-
Warrant modification expense	2,545,360	-
Insurance of common shares for services	1,906,253	-
Loss on settlement of accounts payable with common shares	22,660	-
Stock compensation expense	377,255	782,220
<b>Change in current assets and liabilities:</b>		
Accounts receivable	(1,000,917)	531,882
Prepaid expenses and other assets	147,826	(147,826)
Inventory	(351,830)	451,296
Accounts payable	1,164,080	2,496,749
Account payable related party	243,502	474,654
Funds held for others	(79,662)	(3,166)
Accrued interest	1,643,075	782,166
Cash used in operating activities	(19,207,106)	(3,365,544)
<b>Cash Flows from Investing activities:</b>		
Advances made in connection with management agreement	-	(99,582)
Advance repayment in connection with management agreement	-	222,304
Cash paid for PPE, net	(327,250)	(133,363)
Cash received from acquisitions	650,000	-
Cash provided by investing activities	322,750	(10,641)
<b>Cash Flows from Financing activities:</b>		
Principal payments on long term debt	(2,059,484)	(2,309,571)
Proceeds from long term debt (net of issuance costs \$0 and \$0)	8,660,527	8,431,965
Proceeds from convertible debt	599,980	-

Proceeds from related party	(9,861)	18,500
Net (payments) proceeds from factoring agreement	1,489,508	(495,576)
Sale of common stock for cash	7,767,698	-
Proceeds series C preferred stock	-	50,000
Cash provided by financing activities	<u>16,448,368</u>	<u>5,695,319</u>
Increase (decrease) in cash	(2,435,988)	2,319,134
Cash, beginning of year	<u>2,704,799</u>	<u>385,665</u>
<b>Cash, end of year</b>	<b>\$ 268,811</b>	<b>\$ 2,704,799</b>
Supplemental Information		
Assumption of net assets and liabilities for asset acquisitions	\$ 6,623,999	\$ 24,490,282
Shares issues in asset acquisition	\$ 24,400,000	\$ -
Equipment for notes payable	\$ -	\$ 906,660
Management fee forgiven	\$ -	\$ 17,840,615
Discount on note due to beneficial conversion feature	\$ 7,362,925	\$ -
Conversion of note payable to common stock	\$ 231,661	\$ 261,000
Issuance of shares as part of note payable consideration	\$ 297,831	\$ -
Conversion of trade payable to equity	\$ -	\$ 76,740
Cashless exercise of options into common shares	\$ -	\$ 7
Conversion of Preferred Series A Shares to common shares	\$ 161	\$ 1,445
Conversion of Preferred Series C Shares to common shares	\$ 1	\$ -
Return of shares related to employee settlement	\$ 11	\$ -
Conversion and settlement of Preferred Series B Shares and dividends to common shares	\$ -	\$ 114,000
Preferred Series B Shares accrued interest	\$ -	\$ 114,850
Warrant exercise for common shares	\$ 60	\$ -
Increase in related parties payable	\$ -	\$ 474,654
Cash paid for interest	\$ 557,663	\$ 506,826
Cash paid for income tax	\$ -	\$ -

The accompanying footnotes are integral to the consolidated financial statements

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**AMERICAN RESOURCES CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

American Resources Corporation (ARC or the Company) operates through subsidiaries that were acquired in 2019, 2018, 2016 and 2015 for the purpose of acquiring, rehabilitating and operating various natural resource assets including coal, oil and natural gas.

***Basis of Presentation and Consolidation:***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Quest Energy Inc (QEI), Deane Mining, LLC (Deane), Quest Processing LLC (Quest Processing), ERC Mining Indiana Corp (ERC), McCoy Elkhorn Coal LLC (McCoy), Knott County Coal LLC (KCC), Wyoming County Coal (WCC), Empire Kentucky Land, Inc, Colonial Coal Company, Inc. (Empire) and Perry County Resources LLC (PCR). All significant intercompany accounts and transactions have been eliminated.

On January 5, 2017, QEI entered into a share exchange agreement with NGFC Equities, Inc (NGFC). Under the agreement, the shareholders of QEI exchanged 100% of its common stock to NGFC for 4,817,792 newly created Series A Preferred shares that is convertible into approximately 95% of outstanding common stock of NGFC. The previous NGFC shareholders retained 845,377 common shares as part of the agreement. The conditions to the agreement were fully satisfied on February 7, 2017, at which time the Company took full control of NGFC. NGFC has been renamed to American Resources Corporation ARC. The transaction was accounted for as a recapitalization. QEI was the accounting acquirer and ARC will continue the business operations of QEI, therefore, the historical financial statements presented are those of QEI and its subsidiaries. The equity and share information reflect the results of the recapitalization. On May 15, 2017 ARC initiated a one-for-thirty reverse stock split. The financial statements have been retrospectively restated to give effect to this split.

Entities for which ownership is less than 100% a determination is made whether there is a requirement to apply the variable interest entity (VIE) model to the entity. Where the company holds current or potential rights that give it the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, combined with a variable interest that gives the Company the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, the Company would be deemed to have a controlling interest.

The company is the primary beneficiary of ERC Mining, LLC, which qualifies as a variable interest entity. Accordingly, the assets, liabilities, revenue and expenses of ERC Mining, LLC have been included in the accompanying consolidated financial statements. The company has no

ownership in ERC Mining, LLC. Determination of the company as the primary beneficiary is based on the power through its management functions to direct the activities that most significantly impact the economic performance of ERC Mining, LLC. On March 18, 2016, the company lent ERC Mining, LLC \$4,117,139 to facilitate the transaction described in Note 5, which represent amounts that could be significant to ERC. No further support has been provided. The company has ongoing involvement in the management of ERC Mining, LLC to ensure their fulfillment of the transaction described in Note 5.

The company was the primary beneficiary of Land Resources & Royalties LLC (LRR) which qualifies as a variable interest entity. Accordingly, the assets, liabilities, revenue and expenses of Land Resources & Royalties have been included in the accompanying consolidated financial statements. The company has no ownership in LRR. Determination of the company as the primary beneficiary is based on the power through its management functions to direct the activities that most significantly impact the economic performance of LRR. On October 24, 2016, the company issued LRR a note in the amount of \$178,683 to facilitate the transaction described in Note 5, which represent amounts that could be significant to LRR. No further support has been provided. The company has ongoing involvement in the management of LRR to ensure their fulfillment of the transaction. As of July 1, 2018, the accounts of Land Resources & Royalties, LLC have been deconsolidated from the financial statements based upon the ongoing review of its status as a variable interest entity.

Deane was formed in November 2007 for the purpose of operating underground coal mines and coal processing facilities. Deane was acquired on December 31, 2015 and as such no operations are presented prior to the acquisition date.

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Quest Processing was formed in November 2014 for the purpose of operating coal processing facilities and had no operations before March 8, 2016.

ERC was formed in April 2015 for the purpose managing an underground coal mine and coal processing facility. Operations commenced in June 2015.

McCoy was formed in February 2016 for the purpose of operating underground coal mines and coal processing facilities. McCoy was acquired on February 17, 2016 and as such no operations are presented prior to the acquisition date.

KCC was formed in September 2004 for the purpose of operating underground coal mines and coal processing facilities. KCC was acquired on April 14, 2016 and as such no operations are presented prior to the acquisition date. On August 23, 2018, KCC disposed of certain non-operating assets totaling \$111,567 and the corresponding asset retirement obligation totaling \$919,158 which resulted in a gain of \$807,591.

WCC was formed in October 2018 for the purpose of acquiring and operating underground and surface coal mine and a coal processing facility. No operations were undergoing at the time of formation or acquisition.

On February 12, 2019, ARC Acquisition Corporation (ARCAC) was formed as a wholly owned subsidiary of ARC. On February 12, 2019, ARCAC



merged with Empire Kentucky Land, Inc which is the 100% owner of Colonial Coal Company, Inc. ARC Acquisition Corporation was subsequently renamed Empire Kentucky Land, Inc.

On September 25, 2019, Perry County Resources LLC (PCR) was formed as a wholly owned subsidiary of QEI.

**Asset Acquisitions:**

On April 21, 2018, McCoy acquired certain assets known as the PointRock Mine (PointRock) in exchange for assuming certain liabilities of the seller. The fair values of the liabilities assumed were \$53,771 for prior vendors and \$2,624,961 for asset retirement obligation totaling \$2,678,732. The liabilities assumed do not require fair value readjustments. In addition, McCoy entered into a surface and mineral sub-lease in the amount of up to \$4,000,000 to be paid only upon coal extraction at \$2 per extracted ton of coal. McCoy will also pay a portion of the sales price as a royalty with an annual minimum payment of \$60,000 starting in January 2019. The acquired assets have an anticipated life of 5 years. Capitalized mining rights will be amortized based on productive activities over the anticipated life of 5 years. Amortization expense for the year ended December 31, 2019 and 2018 amounted to \$382,676 and \$462,640, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value. On May 8, 2020, the company sold the assets known as PointRock Mine to an unrelated party. As such, the assets have been written down to \$0 as of December 31, 2019 resulting in an impairment loss of \$1,687,635.

The assets acquired of PointRock do not represent a business as defined in FASB AS 805-10-20 due to their classification as a single asset. Accordingly, the assets acquired are initially recognized at the consideration paid, which was the liabilities assumed, including direct acquisition costs, of which there were none. The cost is allocated to the group of assets acquired based on their relative fair value. The assets acquired and liabilities assumed of PointRock were as follows at the purchase date:

Assets	
Mining Rights	\$ 2,678,732
Liabilities	
Vendor Payables	\$ 53,771
Asset Retirement Obligation	\$ 2,624,961

On May 10, 2018, KCC acquired certain assets known as the Wayland Surface Mine (Wayland) in exchange for assuming certain liabilities of the seller. The fair values of the liabilities assumed were \$66,129 for asset retirement obligation. The liabilities assumed do not require fair value readjustments. In addition, KCC entered into a royalty agreement with the seller to be paid only upon coal extraction in the amount of \$1.50 per extracted ton of coal. The acquired assets have an anticipated life of 7 years. Capitalized mining rights will be amortized based on productive activities over the anticipated life of 7 years. Amortization expense for the year ended December 31, 2019 and 2018 amounted to \$12,398 and \$4,134, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value. Due to the desire not to sell thermal coal, the Company idled Wayland during 2019 resulting in an impairment loss of \$49,597 as of December 31, 2019.

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The assets acquired of Wayland do not represent a business as defined in FASB AS 805-10-20 due to their classification as a single asset. Accordingly, the assets acquired are initially recognized at the consideration paid, which was the liabilities assumed, including direct acquisition costs, of which there were none. The cost is allocated to the group of assets acquired based on their relative fair value. The assets acquired and liabilities assumed of Wayland were as follows at the purchase date:

Assets	
Mining Rights	\$ 66,129
Liabilities	
Asset Retirement Obligation	\$ 66,129

On November 7, 2018, Wyoming County Coal LLC, acquired 5 permits, coal processing and loading facilities, surface ownership, mineral ownership, and coal refuse storage facilities from unrelated entities. Consideration for the acquired assets was the assumption of reclamation bonds totaling \$234,240, 1,727,273 shares of common stock of the company, a seller note of \$350,000 and a seller note of \$250,000. On September 20, 2019 Wyoming County received a Notice of Breach of the asset purchase agreement between WCC and Synergy Coal, LLC due to consideration of \$225,000 not being paid, failure to file for permit transfers and pay delinquent transfer fees of \$10,500 and other contract breaches, including failure to transfer reclamation surety bonds. Subsequent to the balance sheet date, WCC has paid the delinquent transfer fees and has filed for permit transfer. As of the balance sheet date, the West Virginia permit transfers have not yet been approved, the seller has not been paid cash amounts due, and WCC has not substituted its reclamation surety bonds for the seller's bond collateral. As of the report date, the Company is in the process of transferring the permits. (Note 8)

Assets	
Note Receivable	\$ 234,240
Land	\$ 907,196
Coal Refuse Storage	\$ 11,993,827
Processing and Loading Facility	\$ 9,790,841
Liabilities	
Notes Payable	\$ 600,000
Asset Retirement Obligation	\$ 234,240

On February 12, 2019, through a share exchange, ARC merged with Empire Kentucky Land, Inc, its wholly-owned subsidiary Colonial Coal Company, Inc. and purchased assets consisting of surface and mineral ownership and other related agreements of Empire Coal Holdings, LLC in exchange for a cash payment of \$500,000 which was carried as a seller note until paid on February 21, 2019, a seller note of \$2,000,000 payable in the form of a royalty from production off of the property and 2,000,000 common shares of ARC's stock valued at \$24,400,000. The note is currently in default as a result of non-payment at the earlier of i) completion of the securities offering and ii) August 20, 2019 (Maturity date). The default interest rate is 5%. American Resources Corporation has received a Breach of Promissory Notes from Empire Kentucky Land, Inc. The amount being sought is \$2,000,000 as well as additional fees and charges. The acquired assets have an anticipated life of 25 years. Capitalized mining rights will be amortized based on productive activities over the anticipated life of 25 years. Amortization expense for this asset for the year

ended December 31, 2019 and 2018 amounted to \$931,333 and \$0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value. On May 8, 2020, the company sold Empire Kentucky Land, Inc. and its wholly-owned subsidiary Colonial Coal Company, Inc back to the seller under a Settlement, Rescission and Mutual Release Agreement. Under the agreement, the shares of Empire and the underlying property is sold to the seller for the consideration of the cancelation of \$2,000,000 in seller financing and for 2,000,000 shares of the Company's common shares. As such, the assets have been written down to \$0 as of December 31, 2019 resulting in an impairment loss of \$25,968,667.

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The stock and assets acquired do not represent a business as defined in FASB AS 805-10-20 due to their classification as a single asset. Accordingly, the assets acquired are initially recognized at the consideration paid, which was the liabilities assumed, including direct acquisition costs, of which there were none. The cost is allocated to the group of assets acquired based on their relative fair value. The assets acquired and liabilities assumed of Empire Coal were as follows at the purchase date:

Assets	
Acquired Mining Rights	\$ 25,400,000

Land	1,500,000
Liabilities	
Seller Note	\$ 2,500,000

On August 16, 2019, ERC acquired certain assets known as the Gold Star Acquisition in exchange for assuming certain liabilities of LC Energy, LLC and the payment of \$400,000, of which \$177,000 of this amount was considered recovery of previously written off bad debt. The value of the assets received in excess of the liability assumed created a gain on purchase of \$394,484. The fair values of the asset retirement obligation liabilities assumed were determined to be \$77,831. The liabilities assumed do not require fair value readjustments. The company's intention with this property is to reclaim the former mining operations and monetize the structure and equipment acquired.

The assets acquired do not represent a business as defined in FASB AS 805-10-20 due to their classification as a single asset. Accordingly, the assets acquired are initially recognized at the consideration paid, which was the liabilities assumed and cash, including direct acquisition costs, of which there were none. The cost is allocated to the group of assets acquired based on their relative fair value.

The assets acquired and liabilities assumed of LC Energy Operations, LLC were as follows at the purchase date:

Assets	
Cash	\$ 400,000
Restricted Cash	250,000
Liabilities	
Reclamation liability	\$ 77,831

On September 23, 2019, American Resources Corporation, ("Buyer") entered into a binding agreement with Bear Branch Coal LLC, a Kentucky limited liability company, Perry County Coal LLC, a Kentucky limited liability company, Ray Coal LLC, a Kentucky limited liability company, and Whitaker Coal LLC, a Kentucky limited liability company (each a "Seller" and collectively, "Sellers"). The agreement was entered into as part of the bankruptcy proceedings of Cambrian Holding Company LLC, ("Cambrian"), and is subject to approval by the United States Bankruptcy Court for the Eastern District of Kentucky (the "Bankruptcy Court") in the chapter 11 bankruptcy cases of the Sellers, Case No. 19-51200(GRS), by entry of an order in form and substance acceptable to Sellers and Buyer (the "Sale Order"). Under the agreement of the Sale Order, each Seller will sell, transfer, assign, convey and deliver to American Resources Corporation, effective as of the Closing, all assets, rights, titles, permits, leases, contracts and interests of such Seller free and clear of all liens, claims, interests and encumbrances, to the fullest extent permitted by the Bankruptcy Court. In consideration for the purchased assets, the Buyer will assume certain liabilities. Additionally, the Buyer will assume all liabilities relating to the transferred permits and the associated reclamation and post-mining liabilities of the purchased assets. On September 26, 2019, the Company received notice that a certain lease assumption as part of the PCR acquisition was being disputed by the lessor. As of the report date, the Company is in the process of transferring the permits.

On September 27, 2019, PCR closed and acquired certain assets in exchange for assuming certain liabilities of Perry County Coal, LLC and a cash payment of \$1. The preliminary fair values of the asset retirement obligation liabilities assumed were determined to be \$2,009,181. Additional assumed liabilities total \$3,036,987, of which \$1,067,000 of the assumed liabilities are in negotiation as of the report date. The liabilities assumed do not require fair value readjustments.

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The assets acquired do not represent a business as defined in FASB AS 805-10-20 due to their classification as a single asset. Accordingly, the assets acquired are initially recognized at the consideration paid, which was the liabilities assumed and a cash payment of \$1, including direct acquisition costs, of which there were none. The cost is allocated to the group of assets acquired based on their relative fair value. Because the transaction closed near the end of the reporting quarter the values assigned are provisional as of December 31, 2019 while the company continues to gather information, including evaluations of mining permits, discovery of assumed unsecured payables and timing and extent of end of mine life cost. The assets acquired and liabilities assumed of Perry County Coal, LLC were as follows at the purchase date:

Assets	
Coal Inventory	\$ 659,331
Mine Development	524,268
Coal Refuse	179,522
Land	850,826
Equipment - Underground	873,161
Equipment - Surface	4,743
Processing and Loading Facility	1,954,317
Liabilities	
Reclamation liability	\$ 2,009,181
Accrued liabilities	3,036,987

**Going Concern:** The Company has suffered recurring losses from operations and currently a working capital deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. We plan to generate profits by expanding current coal operations as well as developing new coal operations. However, we will need to raise the funds required to do so through sale of our securities or through loans from third parties. We do not have any commitments or arrangements from any person to provide us with any additional capital. If additional financing is not available when needed, we may need to cease operations. We may not be successful in raising the capital needed to expand or develop operations. Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

**Estimates:** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could vary from those estimates.

**Convertible Preferred Securities:** We account for hybrid contracts that feature conversion options in accordance with generally accepted accounting principles in the United States. ASC 815, *Derivatives and Hedging Activities* ("ASC 815") requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

We also follow ASC 480-10, *Distinguishing Liabilities from Equity* ("ASC 480-10") in its evaluation of the accounting for a hybrid instrument. A financial instrument that embodies an unconditional obligation, or a financial instrument other than an outstanding share that embodies a conditional obligation, that the issuer must or may settle by issuing a variable number of its equity shares shall be classified as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on any one of the following: (a) a fixed monetary amount known at inception; (b) variations in something other than the fair value of the issuer's equity shares; or (c) variations inversely related to changes in the fair value of the issuer's equity shares. Hybrid instruments meeting these criteria are not further evaluated for any embedded derivatives, and are carried as a liability at fair value at each balance sheet date with remeasurements reported in interest expense in the accompanying Consolidated Statements of Operations.

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**Related Party Policies:** In accordance with FASB ASC 850 related parties are defined as either an executive, director or nominee, greater than 10% beneficial owner, or an immediate family member of any of the proceeding. Transactions with related parties are reviewed and approved by the directors of the Company, as per internal policies.

**Advance Royalties:** Coal leases that require minimum annual or advance payments and are recoverable from future production are generally deferred and charged to expense as the coal is subsequently produced.

**Cash** is maintained in bank deposit accounts which, at times, may exceed federally insured limits. To date, there have been no losses in such



accounts.

**Restricted cash:** As part of the Kentucky New Markets Development Program an asset management fee reserve was set up in the amount of \$116,115. The funds are held to pay annual asset management fees to an unrelated party through 2021. The balance as of December 31, 2019 and December 31, 2018 was \$47,987 and \$58,246, respectively.

A lender of the Company also required a reserve account to be established. The balance as of December 31, 2019 and December 31, 2018 was \$0 and \$273,783, respectively. The requirement of the reserve ended when the loan agreement terminated during 2019.

The total balance of restricted cash also includes amounts held under the management agreement in the amount of \$0 and \$79,662, as of December 31, 2019 and 2018, respectively. See note 5 for terms of the management agreement. The restriction ended upon termination of the management agreement during 2019.

During the 2019 the Company established a reclamation bonding collateral fund. The balance of the restricted cash being held totaled \$250,000 and \$0 as of December 31, 2019 and 2018, respectively.

The following table sets forth a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheet that agrees to the total of those amounts as presented in the consolidated statement of cash flows for the year ended December 31, 2019 and December 31, 2018.

	December 31, 2019	December 31, 2018
Cash	\$ 3,324	\$ 2,293,107
Restricted Cash	265,487	411,692
Total cash and restricted cash presented in the consolidated statement of cash flows	<u>\$ 268,811</u>	<u>\$ 2,704,799</u>

**Coal Property and Equipment** are recorded at cost. For equipment, depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally ranging from three to seven years. Amortization of the equipment under capital lease is included with depreciation expense.

Property and equipment and amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future net undiscounted cash flows expected to be generated by the related assets. If these assets are determined to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets.

During 2019, it was determined that certain long lived assets of Wayland and ERC Mining Indiana were impaired. The assets include mine development, processing and loading facilities used exclusively in the thermal coal market. Because of the ongoing depression of thermal coal prices, it was determined that the net book value of these assets would not be recognized.

During 2020, the Empire property and the Point Rock Permits were sold to unrelated parties. As such, the asset was written down to \$0 during 2019.

Total impairment loss recognized during the period ending December 31, 2019 equaled \$27,688,030.

Costs related to maintenance and repairs which do not prolong the asset's useful life are expensed as incurred.

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**Mine Development:** Costs of developing new coal mines, including asset retirement obligation assets, are capitalized and amortized using the units-of-production method over estimated coal deposits or proven reserves. Costs incurred for development and expansion of existing reserves are expensed as incurred.

**Asset Retirement Obligations (ARO) – Reclamation:** At the time they are incurred, legal obligations associated with the retirement of long-lived assets are reflected at their estimated fair value, with a corresponding charge to mine development. Obligations are typically incurred when we commence development of underground and surface mines, and include reclamation of support facilities, refuse areas and slurry ponds or through acquisitions.

Obligations are reflected at the present value of their future cash flows. We reflect accretion of the obligations for the period from the date they incurred through the date they are extinguished. The asset retirement obligation assets are amortized based on expected reclamation outflows over estimated recoverable coal deposit lives. We are using a discount rates ranging from 6.16% to 7.22%, risk free rates ranging from 1.76% to 2.92% and inflation rate of 2%. Revisions to estimates are a result of changes in the expected spending estimate or the timing of the spending estimate associated with planned reclamation. Federal and State laws require that mines be reclaimed in accordance with specific standards and approved reclamation plans, as outlined in mining permits. Activities include reclamation of pit and support acreage at surface mines, sealing portals at underground mines, and reclamation of refuse areas and slurry ponds.

We assess our ARO at least annually and reflect revisions for permit changes, change in our estimated reclamation costs and changes in the estimated timing of such costs. During 2019 and 2018, \$0 and \$0 were incurred for gain loss on settlement on ARO.

The table below reflects the changes to our ARO:

	2019	2018
Beginning Balance	\$ 18,528,009	\$ 14,987,135
Accretion	1,482,349	1,366,322
Reclamation work	-	-
Gain on Reclamation Work	-	-
Dispositions	-	(919,158)
Wayland Acquisition	-	66,129
PointRock Acquisition	-	2,624,961
Razorblade Mine Development	-	168,380
WCC Acquisition	-	234,240
Gold Star Acquisition	77,831	-
PCR Acquisition	2,009,181	-
Change in ARO Estimate	(2,262,931)	-
Ending Balance	\$ 19,839,782	\$ 18,528,009
Current portion of reclamation liability	\$ 2,327,169	\$ 2,327,169
Long-term portion of reclamation liability	\$ 17,512,613	\$ 16,211,640

**Income Taxes** include U.S. federal and state income taxes currently payable and deferred income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of enactment. Deferred income tax expense represents the change during the year in the deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company filed an initial tax return in 2015. Management believes that the Company's income tax filing positions will be sustained on audit and

does not anticipate any adjustments that will result in a material change. Therefore, no reserve for uncertain income tax positions has been recorded. The Company's policy for recording interest and penalties, if any, associated with income tax examinations will be to record such items as a component of income taxes.

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**Revenue Recognition:** The Company adopted and recognizes revenue in accordance with ASC 606 as of January 1, 2018, using the modified retrospective approach. The Company concluded that the adoption did not change the timing at which the Company historically recognized revenue nor did it have a material impact on its consolidated financial statements.

Revenue is recognized when performance obligations under the terms of a contract with our customers are satisfied; for all contracts this occurs when control of the promised goods have been transferred to our customers. For coal shipments to domestic and international customers via rail, control is transferred when the railcar is loaded.

Our revenue is comprised of sales of mined coal and services for processing coal. All of the activity is undertaken in eastern Kentucky.

Revenue from coal processing and loading are recognized when services have been performed according to the contract in place.

Our coal sales generally include 10 to 30-day payment terms following the transfer of control of the goods to the customer. We typically do not include extended payment terms in our contracts with customers. As such, spot sales prices and forward contract pricing has declined.

During late 2019 management anticipated adverse market conditions globally, and in response began to selectively reduce or idle coal production operations and furlough or terminate employees. During Q1 2020, the worldwide COVID-19 outbreak sharply reduced worldwide demand for infrastructure and steel products and their necessary inputs including Metallurgical coal. Company management fully idled the Company's operations accordingly, and the operations have remained idled through the report date. These recent, global market disruptions and developments are expected to result in lower sales and gross margins for the coal industry and the Company in 2020 and possibly beyond.

**Customer Concentration and Disaggregation of Revenue:** As of December 31, 2019 and 2018 87.49% and 89% of revenue came from three and four customers, respectively. As of December 31, 2019 and 2018, 99.63% and 99% of outstanding accounts receivable came from two and two customers, respectively.

For the year ended December 31, 2019 and 2018, 62% and 60% of generated from sales to the steel and industrial industry, respectively. For the year ended December 31, 2019 and 2018, 38% and 40% of generated from sales to the utility industry, respectively.

**Leases:** In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-02 *Leases* ("ASU 2016-02"). ASU 2016-02, along with related amendments issued from 2017 to 2018 (collectively, the "New Leases Standard"), requires a lessee to recognize a right-of-use asset and a lease liability on the balance sheet. The Company adopted ASU 2016-02 effective January 1, 2019 using the modified retrospective approach and elected the option to not restate comparative periods in transition and also elected the package of practical expedients for all leases within the standard, which permits the Company not to reassess its prior conclusions about lease identification, lease classification and initial direct costs.

The Company leases certain equipment and other assets under noncancelable operating leases, typically with initial terms of 3 to 7 years. Minimum rent on operating leases is expensed on a straight-line basis over the term of the lease. In addition to minimum rental payments, certain leases require additional payments based on sales volume, as well as reimbursement of real estate taxes, which are expensed when incurred. Capital leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The gross amount of assets recorded under capital lease amounted to \$333,875, all of which is classified as surface equipment.

**Beneficial Conversion Features of Convertible Securities:** Conversion options that are not bifurcated as a derivative pursuant to ASC 815 and not accounted for as a separate equity component under the cash conversion guidance are evaluated to determine whether they are beneficial to the investor at inception (a beneficial conversion feature) or may become beneficial in the future due to potential adjustments. The beneficial conversion feature guidance in ASC 470-20 applies to convertible stock as well as convertible debt which are outside the scope of ASC 815. A beneficial conversion feature is defined as a nondetachable conversion feature that is in the money at the commitment date. In addition, our preferred stock issues contain conversion terms that may change upon the occurrence of a future event, such as antidilution adjustment provisions. The beneficial conversion feature guidance requires recognition of the conversion option's in-the-money portion, the intrinsic value of the option, in equity, with an offsetting reduction to the carrying amount of the instrument. The resulting discount is amortized as a dividend over either the life of the instrument, if a stated maturity date exists, or to the earliest conversion date, if there is no stated maturity date. If the earliest conversion date is immediately upon issuance, the dividend must be recognized at inception. When there is a subsequent change to the conversion ratio based on a future occurrence, the new conversion price may trigger the recognition of an additional beneficial conversion feature on occurrence.

The Company has a loan, convertible into common shares at \$5.25 per share, with a beneficial conversion feature added through a loan modification on February 4, 2019. At the time of the modification the loan had a maturity date of three months, and the conversions may occur any time from the time of the modification.

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**Loan Issuance Costs and Discounts** are amortized using the effective interest method. Amortization expense amounted to \$7,725,076 and \$670,601 as of December 31, 2019 and 2018, respectively. Amortization expense for the next five years is expected to be approximately \$19,000, annually.

**Allowance For Doubtful Accounts:** The Company recognizes an allowance for losses on trade and other accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging and expected future write-offs, as well as an assessment of specific identifiable amounts considered at risk or uncollectible.

Allowance for trade receivables as of December 31, 2019 and 2018 amounted to \$0 and \$0, respectively. Allowance for other accounts receivables as of December 31, 2019 and 2018 amounted to \$0 and \$0, respectively.

Trade and loan receivables are carried at amortized cost, net of allowance for losses. Amortized cost approximated book value as of December 31, 2019 and 2018.

**Inventory:** Inventory consisting of mined coal is stated at the lower of cost (first in, first out method) or net realizable value.

**Stock-based Compensation:** Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable vesting period of the stock award (generally 0 to 5 years) using the straight-line method. Stock compensation to employees is accounted for under ASC 718 and stock compensation to non-employees is accounted for under 2018-07 which was adopted on July 1 2018 and ASC 505 for periods before July 1, 2018 and did not have an impact to the financial statements.

**Earnings Per Share:** The Company's basic earnings per share (EPS) amounts have been computed based on the average number of shares of common stock outstanding for the period and include the effect of any participating securities as appropriate. Diluted EPS includes the effect of the Company's outstanding stock options, restricted stock awards, restricted stock units and performance-based stock awards if the inclusion of these items is dilutive.

For the years ended December 31, 2019 and 2018, the Company had 10,698,879 and 5,545,227 outstanding stock warrants, respectively. For the years ended December 31, 2019 and 2018, the Company had 1,056,830 and 681,830 outstanding stock options, respectively. For the years ended December 31, 2019 and 2018, the Company had 0 and 481,780 shares of Series A Preferred Stock, respectively, that has the ability to convert at any time into 0 and 1,605,934 shares of common stock, respectively. For the years ended December 31, 2019 and 2018, the Company had 0 and 0 shares of Series B Preferred Stock, respectively, that has the ability to convert at any time into 0 and 0 shares of common stock, respectively. For the years ended December 31, 2019 and 2018, the Company had 1,056,830 and 681,830 restrictive stock awards, restricted stock units, or performance-based awards.

**Reclassifications:** Reclassifications have been made to conform with current year presentation.

**New Accounting Pronouncements:** Management has determined that the impact of the following recent FASB pronouncements will not have a material impact on the financial statements.

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**NOTE 2 - PROPERTY AND EQUIPMENT**

At December 31, 2019 and 2018, property and equipment were comprised of the following:

	2019	2018
Processing and rail facility	\$ 12,723,163	\$ 11,630,171
Underground equipment	8,294,188	8,717,229
Surface equipment	3,224,896	3,101,518
Mine development	669,860	14,907,068
Coal refuse storage	12,171,271	-
Land	1,748,169	907,193
Less: Accumulated depreciation	(11,162,662)	(6,691,259)
Total Property and Equipment, Net	<u>\$ 27,668,855</u>	<u>\$ 32,571,920</u>

Depreciation expense amounted to \$4,588,136 and \$2,461,557 for the years of December 31, 2019 and 2018, respectively. Amortization of mining rights amounted to \$1,657,673 and \$478,801 for the years of December 31, 2019 and 2018, respectively.

The estimated useful lives are as follows:

Processing and Rail Facilities	7-20 years
Surface Equipment	7 years
Underground Equipment	5 years
Mine Development	5-10 years
Coal Refuse Storage	10 years

**NOTE 3 - NOTES PAYABLE**

During the year ended December 31, 2019 and 2018, principal payments on long term debt totaled \$2,059,484 and \$2,309,571, respectively. During the year ended December 31, 2019 and 2018, new debt issuances totaled \$8,660,527 and \$8,431,965, respectively. During the year ended December 31, 2019 and 2018, net (payments) and proceeds from our factoring agreements totaled \$1,489,508 and \$(495,576), respectively.

During the year ended December 31, 2019 and 2018, discounts on debt issued amounted to \$210,581 and \$709,500, respectively related to the Sales financing arrangement discussed below and the note payable discussed further in note 3. During 2019 and 2018, \$362,151 and \$670,601 was amortized into expense with \$417,183 and \$88,685 remaining as unamortized discount., respectively.

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Short-term and Long-term debt consisted of the following at December 31, 2019 and 2018:

	2019	2018
<b>Equipment Loans - QEI</b>		
Note payable to an unrelated company in monthly installments of \$2,064, with interest at 8.75%, through maturity in March 2019, when the note is due in full. The note is secured by equipment and a personal guarantee by an officer of the Company.	\$ -	\$ 4,627
Note payable to an unrelated company in monthly installments of \$1,468, With interest at 6.95%, through maturity in March 2021, when the note is due in full. The note is secured by equipment and a personal guarantee by an officer of the Company.	28,861	35,683
On September 8, 2017, Quest entered into an equipment purchase agreement with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$600,000. The note carries 0% interest and is due April 1, 2019. The agreement provided for \$80,000 paid upon execution, \$30,000 monthly payments until the balance is paid in full. The note is secured by the equipment purchased. The note is currently in default.	220,000	280,000
On October 19, 2017, Quest entered into an equipment financing agreement with an unaffiliated entity, Inc. to purchase certain surface equipment for \$90,400. The agreement calls for monthly payments until maturity of October 19, 2019 and interest of 9.95%. The note is secured by the equipment purchased.	4,136	66,324
On October 20, 2017, Quest entered into an equipment financing agreement with an unaffiliated entity, Inc. to purchase certain surface equipment for \$50,250. The agreement calls for monthly payments until maturity of October 20, 2019 and interest of 10.60%. The note is secured by the equipment purchased.	5,166	31,105
On December 7, 2017, Quest entered into an equipment financing agreement with an unaffiliated entity, to purchase certain surface equipment for \$56,900. The agreement calls for an interest rate of 8.522%, monthly payments until maturity of January 7, 2021. The note is secured by the equipment purchased.	34,594	39,838
On January 25, 2018, QEI entered into an equipment loan agreement with an unrelated party in the amount of \$346,660. The agreement calls for monthly payments of \$11,360 until maturity date of December 24, 2020 and carries an interest rate of 9%. The loan is secured by the underlying surface equipment purchased by the loan. Loan proceeds were used directly to purchase equipment.	169,749	235,983
On May 9, 2018, QEI entered into a loan agreement with an unrelated party in the amount of \$1,000,000 with a maturity date of September 24, 2018 with monthly payments of \$250,000 due beginning June 15, 2018. The note is secured by the assets and equity of the company and carries an interest rate of 0%. Proceeds of the note were split between receipt of \$575,000 cash and \$425,000 payment for new equipment. No payments have been made on the note which is in default. The note is secured by the equipment purchased by the note and a personal guarantee of an officer.	1,000,000	1,000,000
<b>Business Loan - ARC</b>		
On October 4, 2017, ARC entered into a consolidated loan agreement with an unaffiliated entity. \$7,764,980 has been advanced under the note. The agreement calls for interest of 7% and with all outstanding amounts due on demand. The note is secured by all assets of Quest and subsidiaries. In conjunction with the loan, warrants for up to 5,017,006 common shares were issued at an exercise price ranging from \$.01 to \$11.44 per share and with an expiration date of October 2, 2020. The loan consolidation was treated as a loan modification for accounting purposes giving rise to a discount of \$140,000. The discount was amortized over the life of the loan with \$105,000 included as interest expense and \$35,000 included as a note discount as of This note was not paid and was modified into a convertible note (Convertible Note) December 31, 2018. And \$35,000 included as interest expense and \$0 included as a note discount as of December 31, 2019. The note is secured by all assets of the Company.	-	6,819,632
<b>Empire – Secured Seller Note</b>		



On February 20, 2019, as part of the merger with Empire Kentucky Land, Inc, the Company executed a seller financing note in the amount of \$2,000,000 with the maturity date of August 20, 2019. The note was in technical default and carries a default interest rate of 5% until settled on May 8, 2020. (see note 10)

2,000,000

-

#### Sales Financing Arrangement ARC

The Company received \$500,000 in cash with \$700,000 worth of coal held as collateral. The agreement has a maturity of sixty days (July 30, 2019) and does not have a stated interest rate, however, the interest expense, "additional consideration" is stated to be \$50,000 over the two-month term. The company also issued 25,000 shares as consideration for the inventory line of credit. This note is currently in default. The inventory line of credit is secured by the underlying inventory

\$ 450,000

-

#### ARC Corporate Loan

On August 9, 2019, the Company entered into a \$500,000 promissory note with a non-related entity. The note bears interest at 11% and is due by September 15, 2019. On August 6, 2019, \$250,000 was drawn on the promissory note. On August 9, 2019, \$250,000 was drawn on the promissory note. On August 16, 2019, an additional \$300,000 was drawn on the promissory note. The note included 300,000 common shares resulting in a relative fair value calculation discount of \$210,581 which is amortized over the term of the note. This note is currently in default. The note is secured by specific equipment. Additional funds totaling \$1,000,000 was advanced in December 31, 2019.

1,800,000

-

#### PCR Acquisition Note

On September 27, 2019, the Company entered into a promissory note with a non-related entity for an amount up to \$1,850,000 in conjunction with the PCR asset acquisition but separate from the assumed liabilities. \$250,000 was drawn on this note as of September 30, 2019. The note bears interest at 4% and is due in full on September 27, 2020. The note was subsequently amended on October 18, 2019 the increase the full amount of the borrowing to \$2,010,547. The note is unsecured. The initial draw was to be used for closing costs and the remaining tranches are to be used for payroll and payroll related expenses. The note carries restrictive covenants outlined in the note agreement. The note is currently in default.

2,010,547

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Customer Loan Agreement - ARC

On December 31, 2018, the Company entered into a loan agreement with an unrelated party. The loan is for an amount up to \$6,500,000 of which \$3,000,000 was advanced on December 31, 2018 and \$3,500,000 was advanced During 2019. The promissory agreement carries interest at 5% annual interest rate and payments of principal and interest shall be repaid at a per-ton rate of coal sold to the lender. The outstanding amount of the note has a maturity of April 1, 2020. The note is secured by all assets of the Company. Loan issuance costs totaled \$41,000 as of December 31, 2018. The note is currently in default.

\$ 6,035,988 \$ 3,000,000

Sales Financing Arrangement ARC

During May 2018, the company entered into a financing arrangement with two unrelated parties. The notes totaled \$2,859,500, carried an original issue discount of \$752,535, interest rate of 0% and have a maturity date of January 2019 and are secured by future receivables as well as personal guarantees of two officers of the company. As of December 31, 2019 and 2018, unamortized original issue discount totaled \$0 and \$88,685 and unamortized loan issuance costs totaled \$0 and \$4,611, respectively. On April 1, 2020, \$375,690.37 of this note was converted into a senior convertible note. (See Note 10) The remaining portion of the note is in default.

804,618 1,613,049

Equipment Loans – ERC

Equipment lease payable to an unrelated company in 48 equal payments of \$771 with an interest rate of 5.25% with a balloon payment at maturity of July 31, 2019. The note is secured by equipment and a corporate guarantee from Quest Energy Inc. The equipment is being utilized as part of the management agreement referred to in Note 6. Therefore, the title of the assets are not held with ERC and there is a corresponding receivable due for the payment of this note.

14,399 23,352

Equipment lease payable to an unrelated company in 48 equal payments of \$3,304 with an interest rate of 5.25% with a balloon payment at maturity of July 31, 2019. The note is secured by equipment and a corporate guarantee from Quest Energy Inc. The equipment is being utilized as part of the management agreement referred to in Note 6. Therefore, the title of the assets are not held with ERC and there is a corresponding receivable due for the payment of this note.

73,527 89,419

Equipment lease payable to an unrelated company in 48 equal payments of \$2,031 with an interest rate of 5.25% with a balloon payment at maturity of August 13, 2019. The note is secured by equipment and a corporate guarantee from Quest Energy Inc. The equipment is being utilized as part of the management agreement referred to in Note 6. Therefore, the title of the assets are not held with ERC and there is a corresponding receivable due for the payment of this note.

2,022 29,554

#### Equipment Loans - McCoy

Equipment note payable to an unrelated company, with monthly payments of \$150,000 in September 2016, October 2016, November 2016 and a final payment of \$315,000 due in December 2016. The note carried 0% interest. \$315,000 of this note was forgiven during May 2018, which was recorded as gain on cancelation of debt. The remaining balance of \$225,000 was converted to equity. See note 8. The note was secured by the equipment purchased with the note.

- -

On May 2, 2017, Quest entered into an equipment purchase agreement with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$250,000 which carries 0% interest. Full payment was due September 12, 2017, and the note is in default. The note is secured by the equipment purchased with the note.

81,000 87,500

On June 12, 2017, Quest entered into an equipment purchase Agreement, which carried interest at 0% with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$22,500. Full payment was due September 12, 2017, and the note is in default. The note is secured by the equipment purchased with the note.

22,500 22,500

On September 25, 2017, Quest entered into an equipment purchase Agreement, which carries 0% interest with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$350,000. The agreement provided for \$20,000 monthly payments until the balance is paid in full. The note matures on September 25, 2019, and the note is in default. The note is secured by the equipment purchased with the note.

262,041 308,000

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Seller Note - Deane

Deane Mining - promissory note payable to an unrelated company, with monthly interest payments of \$10,000, at an interest rate of 6%, beginning June 30, 2016. The note is due December 31, 2017 and is unsecured. No payments have been made on the note and no extensions have been entered into subsequent to December 31, 2017, resulting in the note being in default.

2,000,000 2,000,000

Seller Note – Wyoming County

In conjunction with the asset acquisition, \$600,000 promissory note payable to an unrelated company. See note 1. \$350,000 is due on demand and the remaining \$250,000 will be paid with monthly payments based on \$1 per ton of coal to originate from the assets acquired, commencing November 1, 2019. \$375,000 was paid in 2019. The note is due on May 7, 2019, is unsecured and carries interest at 0%. The note was in default and subsequently cured by conversion into modified debt agreement April 1, 2020.

225,000 600,000

Accounts Receivable Factoring Agreement  
Factoring Arrangements

McCoy, Deane and Knott County secured accounts receivable note payable to a bank. The agreement calls for interest of .30% for each 10 days of outstanding balances. The advance is secured by the accounts receivable, corporate guaranty by the Company and personal guarantees by two officers of the Company. The agreement ends in October 2019

- 1,087,413

On December 19, 2019, the Company entered into a factoring arrange with an unrelated party. The arrangement is separated into two components. The first component is a promissory note in the amount of \$1,189,223 with interest equaling 1.61% and a due date of December 31, 2020. The principal will be repaid out of future sales and the note is secured by certain fixed assets of PCR. The second component is advance of customer invoices totaling 2,200,486. The advances bear interest at 7% plus a \$1 per ton fee and were re-paid in January 2020, from customer receipts. The note is in default.

3,389,709 -

A customer of the Company advanced \$550,000 for inventory. The advance is unsecured and bears no interest and will be recouped by future sales to the customer. The note is due on demand and currently not repaid.

550,000 -

#### Kentucky New Markets Development Program

Quest Processing - loan payable to Community Venture Investment XV, LLC, with interest only payments due quarterly until March 2023, at which time quarterly principal and interest payments are due. The note bears interest at 3.698554% and is due March 7, 2046. The loan is secured by all equipment and accounts of Quest Processing. See Note 5.

4,117,139 4,117,139

Quest Processing - loan payable to Community Venture Investment XV, LLC, with interest only payments due quarterly until March 2023, at which time quarterly principal and interest payments are due. The note bears interest at 3.698554% and is due March 7, 2046. The loan is secured by all equipment and accounts of Quest Processing. See Note 5.

1,026,047 1,026,047

Less: Debt Discounts and Loan Issuance Costs

(417,183) (428,699)

Total note payables, net of discount

25,909,860 22,088,011

Less: Current maturities

20,494,589 14,169,139

Total Long-term note payables, net of discount

\$ 5,415,271 \$ 7,918,872

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Convertible notes payable consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<b>ARC</b>		
On October 4, 2017, ARC entered into a consolidated loan agreement with an unaffiliated entity. \$7,770,000 has been advanced under the note. The agreement calls for interest of 7% and with all outstanding amounts due on demand. The Company analyzed the conversion options in the convertible loan payables for derivative accounting consideration under ASC 815, Derivative and Hedging, and determines that the transactions do not qualify for derivative treatment. The note is secured by all assets of Quest and subsidiaries. In conjunction with the loan, warrants for up to 5,017,006 common shares were issued at an exercise price ranging from \$.01 to \$11.44 per share and with an expiration date of October 2, 2020. The loan had a conversion feature added during February 2019 resulting in a non cash expense of \$7,362,925. The note is secured by all assets of the Company.	\$ 7,419,612	\$ -

Affiliate notes consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Notes payable to affiliate, due on demand with no interest and is uncollateralized. Equipment purchasing was paid by an affiliate resulting in the note payable.	\$ 74,000	\$ 74,000
During July 2017, an officer of the Company advanced \$50,000 to Quest. During October 2018, the same officer advanced \$13,500 to American Resources. The advances are unsecured, non interest bearing and due on demand.	53,639	63,500
During December 2018, an officer of the Company advanced \$5,000 to Quest. The advance is unsecured, non interest bearing and due on demand.	5,000	5,000



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Total interest expense was \$2,908,579 in 2019 and \$1,288,990 in 2018.



Future minimum principal payments, interest payments and payments on capital leases are as follows:

Payable In	Loan Principal	Lease Principal	Total Loan and Lease Principal	Lease Interest
2020	27,846,843	89,948	27,936,791	4,722
2021	709,791	-	709,791	-
2022	134,535	-	134,535	-
2023	139,581	-	139,581	-
2024	144,815	-	144,815	-
Thereafter	4,703,733	-	4,703,733	-

#### NOTE 4 - RELATED PARTY TRANSACTIONS

On June 12, 2015, the Company executed a consulting agreement with an entity with common ownership. During prior years, the Company incurred fees totaling \$17,840,615 relating to services rendered under this agreement. The amount outstanding and payable as of December 31, 2019 and 2018, was \$0 and \$0, respectively. The amount is due on demand and does not accrue interest. The amounts under the agreement were cancelled and forgiven on May 31, 2018. The forgiveness was accounted for as an increase in additional paid in capital.

During 2015, equipment purchasing was paid by an affiliate resulting in a note payable. The balance of the note was \$74,000 as of December 31, 2019 and 2018, respectively.

During 2016, the Company entered into a coal sales commission agreement with a company for which a member services as a Company Independent Director. The company is to get 2% of the net sales price on all coal sold through pre-approved customers. Commissions earned during 2019 and 2018 amounted to \$29,677 and \$0, respectively. As of December 31, 2019 and 2018, the balance owed on the agreement amounted to \$110,828 and \$81,151, respectively.

On April 30, 2017, the Company purchased \$250,000 of secured debt that had been owed to that party, by an operating subsidiary of a related party. As a result of the transaction, the Company is now the creditor on the notes. The first note in the amount of \$150,000 is dated March 13, 2013, carries an interest rate of 12% and was due on September 13, 2015. The second note in the amount of \$100,000 is dated July 17, 2013, carries an interest rate of 12% and was due January 17, 2016. Both notes are in default and have been fully impaired due to collectability uncertainty. (see Note 3)

During July 2017, an officer of the Company advanced \$50,000 to Quest. The advance is unsecured, non interest bearing and due on demand. During October 2018, the same officer advanced \$13,500 under the same terms. (see Note 3). The balance as of December 31, 2019 and 2018 amounted to \$53,639 and \$63,500, respectively. Subsequent to year end this note was converted into a senior secured convertible note. (see Note 10)

During December 2018, an officer of the Company advanced \$5,000 to American Resources. The advance is unsecured, non interest bearing and due on demand. (see Note 3) The balance as of December 31, 2019 and 2018 amounted to \$5,000 and \$5,000, respectively. Subsequent to year end this note was converted into a senior secured convertible note. (see Note 10)

On October 24, 2016, the Company sold certain mineral and land interests to a subsidiary of an entity, LRR, owned by members of the Company's management. LRR leases various parcels of land to QEI and engages in other activities creating miscellaneous income. The consideration for the transaction was a note in the amount of \$178,683. The note bears no interest and is due in 2026. As of January 28, 2017, the note was paid in full. From October 24, 2016, this transaction was eliminated upon consolidation as a variable interest entity. As of July 1, 2018, the accounts of Land Resources & Royalties, LLC have been deconsolidated from the financial statements based upon the ongoing review of its status as a variable interest entity. As of December 31, 2019, and 2018, amounts owed to LRR totaled \$718,156 and \$474,654, respectively.

On February 13, 2020, the Company entered into a Contract Services Agreement with Land Betterment Corp, an entity controlled by certain members of the Company's management who are also directors and shareholders. The contract terms state that service costs are passed through to the Company with a 10% mark-up and a 50% share of cost savings. The agreement covers services across all of the Company's properties.

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**NOTE 5 – KENTUCKY NEW MARKETS DEVELOPMENT PROGRAM**

On March 18, 2016, Quest Processing entered into two loans under the Kentucky New Markets Development Program for a total of \$5,143,186. Quest Processing paid \$460,795 of debt issuance costs resulting in net proceeds of \$4,682,391. See note 3. The Company retains the right to call \$5,143,186 of the loans in March 2023. State of Kentucky income tax credits were generated for the lender which the Company has guaranteed over their statutory life of seven years in the event the credits are recaptured or reduced. At the time of the transaction, the income tax credits were valued at \$2,005,843. The Company has not established a liability in connection with the guarantee because it believes the likelihood of recapture or reduction is remote.

On March 18, 2016, ERC Mining LLC, an entity consolidated as a VIE, lent \$4,117,139 to an unaffiliated entity, as part of the Kentucky New Markets Development Program loans. The note bears interest at 4% and is due March 7, 2046. The balance as of December 31, 2019 and 2018 was \$4,117,139 and \$4,117,139, respectively. Payments of interest only are due quarterly until March 18, 2023 at which time quarterly principal and interest are due. The note is collateralized by the equity interests of the borrower.

The Company's management also manages the operations of ERC Mining LLC. ERC Mining LLC has assets totaling \$4,415,860 and liabilities totaling \$4,117,139 as of December 31, 2019 and 2018, respectively, for which there are to be used in conjunction with the transaction described above. Assets totaling \$3,490,087 and \$3,654,772 and liabilities totaling \$4,117,139 and \$4,117,139, respectively, are eliminated upon consolidation as of December 31, 2019 and 2018. The Company's risk associated with ERC Mining LLC is greater than its ownership percentage and its involvement does not affect the Company's business beyond the relationship described above.

**NOTE 6 – MANAGEMENT AGREEMENT**

On April 13, 2015, ERC entered into a mining and management agreement with an unrelated entity, to operate a coal mining and processing facility in Jasonville, Indiana. The agreement called for a monthly base fee of \$20,000 in addition to certain per ton fees based on performance to be paid to ERC. Fees earned totaled \$340,915 and \$440,000 for 2019 and 2018, respectively. The agreement called for equipment payments to be made by the entity.

During 2019, ERC had advances of \$48,611 and repayments of \$197,419 of amounts previously advanced. During 2018, ERC had advances of \$48,611 and repayments of \$197,419 of amounts previously advanced. The advances are unsecured, non-interest bearing and due upon demand.

As part of the agreement, ERC retained the administrative rights to the underlying mining permit and reclamation liability. The entity has the right within the agreement to take the mining permits and reclamation liability at any time. In addition, all operational activity that takes place on the facility is the responsibility of the entity. ERC acts as a fiduciary and as such has recorded cash held for the entity's benefit as both an asset and an offsetting liability amounting to \$79,662 as of December 31, 2018. The arrangement was terminated on September 20, 2019.

**NOTE 7 - INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The primary temporary differences that give rise to the deferred tax assets and liabilities are as follows: accrued expenses.

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Deferred tax assets consisted of \$5,996,494 and \$2,227,849 at December 31, 2019 and 2018, respectively, which was fully reserved. Deferred tax assets consist of net operating loss carryforwards in the amount of \$13,746,391 and \$7,749,897 at December 31, 2019 and 2018, respectively, which was fully reserved. The net operating loss carryforwards for years 2015, 2016, 2017, 2018 and 2019 begin to expire in 2035. The application of net operating loss carryforwards are subject to certain limitations as provided for in the tax code. The Tax Cuts and Jobs Act was signed into law on December 22, 2017, and reduced the corporate income tax rate from 34% to 21%. The Company's deferred tax assets, liabilities, and valuation allowance have been adjusted to reflect the impact of the new tax law.

On March 25, 2020, the CARES Act was established with implications of corporate tax treatment. The CARES Act provides that NOLs arising in a tax year beginning after December 31, 2018 and before January 1, 2021 can be carried back to each of the five tax years preceding the tax year of such loss. The CARES Act temporarily and retroactively increases the limitation on the deductibility of interest expense under Code Sec. 163(j) (1) from 30% to 50% for the tax years beginning in 2019 and 2020.

The Company's effective income tax rate is lower than what would be expected if the U.S. federal statutory rate (21%) were applied to income before income taxes primarily due to certain expenses being deductible for tax purposes but not for financial reporting purposes. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. All years are open to examination as of December 31, 2019.

## **NOTE 8 – EQUITY TRANSACTIONS**

As of December 31, 2019, the following describes the various types of the Company's securities:

### ***Common Stock***

*Voting Rights.* Holders of shares of common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. The holders of common stock do not have cumulative voting rights in the election of directors.

*Dividend Rights.* Holders of shares of our common stock are entitled to ratably receive dividends when and if declared by our board of directors out of funds legally available for that purpose, subject to any statutory or contractual restrictions on the payment of dividends and to any prior rights and preferences that may be applicable to any outstanding preferred stock. Please read "Dividend Policy."

*Liquidation Rights.* Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and the liquidation preference of any of our outstanding shares of preferred stock.

*Other Matters.* The shares of common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock, are fully paid and non-assessable.

### ***Series A Preferred Stock***

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series A Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 100,000 shares of Series A Preferred stock. The Series A Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Additionally, the holders of preferred stock will be entitled to vote at or receive notice of any meeting of stockholders. As of the date of this filing, no shares of Series A Preferred stock are outstanding. See "Security Ownership of Certain Beneficial Owners and Management" for more detail on the Series A Preferred stockholders.

*Voting Rights.* The holders of Series A Preferred Stock shall be entitled to vote on an "as-converted" basis for any matters that require voting of the Class A Common Stock..

*Dividend Rights.* The holders of the Series A Preferred stock are entitled to receive its proportional distribution or accrual of the cash dividend as if the Series A Preferred Stock were converted to Class A Common Stock (plus any Class A Common Stock equivalents that may be entitled to receive a dividend).

*Conversion Rights.* The holders of the Series A Preferred stock are entitled to convert into common shares, at the holder's discretion, Into Forty Percent (40.0%) of the outstanding amount of Class A Common Stock plus common stock equivalents that are existing at the time of the

conversion, at any time and from time to time. No additional consideration is required for the conversion.

*Liquidation Rights.* Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of the Series A Preferred shares shall be entitled to receive in preference to the holders of the Common Stock a per share amount equal to \$1.00 per share.

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*Anti-Dilution Protections.* The Series A Preferred stock shall have full anti-dilution protection until March 1, 2020, such that, when the sum of the shares of the common stock plus the Series A Convertible stock that are held by the Series A Preferred stock holders as of the date of the Articles of Amendment are summed (the sum of which is defined as the “Series A Holdings”, and the group defined as the “Series A Holders”), the Series A Holdings held by the Series A Holders shall be convertible into, and/or equal to, no less than Seventy-Two Percent (72.0%) of the fully-

diluted common stock outstanding of the company (inclusive of all outstanding “in-the-money” options and warrants). Any amount that is less than Seventy-Two Percent (72.0%) shall be adjusted to Seventy-Two Percent (72.0%) through the immediate issuance of additional common stock to the Series A Holders to cure the deficiency, which shall be issued proportionally to each respective Series A Holder’s share in the Series A Holdings at the time of the adjustment. This anti-dilution protection shall include the effect of any security, note, common stock equivalents, or any other derivative instruments or liability issued or outstanding during the anti-dilution period that could potential cause dilution during the anti-dilution period or in the future.

As of February 14, 2019, all Series A Preferred stock has been converted into Common shares of the company.

### ***Series B Preferred Stock***

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series B Preferred stock, par value \$0.001 per share, covering up to an aggregate of 20,000,000 shares of Series B Preferred stock. The Series B Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. As of the date of this filing, no shares of Series B Preferred stock are outstanding. See “Security Ownership of Certain Beneficial Owners and Management” for more detail on the Series B Preferred stock holders.

*Voting Rights.* The holders of Series B Preferred shares have no voting rights.

*Dividend Rights.* The holders of the Series B Preferred shall accrue a dividend based on an 8.0% annual percentage rate, compounded quarterly in arrears, for any Series B Preferred stock that is outstanding at the end of such prior quarter.

*Conversion Rights.* The holders of the Series B Preferred stock are entitled to convert into common shares, at the holder’s discretion, at a conversion price of Three Dollars and Sixty Cents (\$3.60) per share of common stock, subject to certain price adjustments found in the Series B Preferred stock purchase agreements.

*Liquidation Rights.* Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Series B Preferred shares shall have a liquidation preference to the Series A Preferred and Common shares at an amount equal to the holders’ investment in the Series B Preferred stock.

### ***Series C Preferred Stock***

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series C Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 20,000,000 shares of Series C Preferred stock. The Series C Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. As of the date of this filing, no shares of Series C Preferred stock are outstanding. See “Security Ownership of Certain Beneficial Owners and Management” for more detail on the Series C Preferred stock holders.

*Voting Rights.* The holders of Series C Preferred shares are entitled to vote on an “as-converted” basis of one share of Series C Preferred Stock voting one vote of common stock.

*Dividend Rights.* The holders of the Series C Preferred shall accrue a dividend based on an 10.0% annual percentage rate, compounded annually in arrears, for any Series C Preferred stock that is outstanding at the end of such prior year.

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*Conversion Rights.* The holders of the Series C Preferred stock are entitled to convert into common shares, at the holder's discretion, at a conversion price of Six Dollars (\$6.00) per share of common stock, subject to certain price adjustments found in the Series C Preferred stock purchase agreements. Should the company complete an equity offering (including any offering convertible into equity of the Company) of greater than Five Million Dollars (\$5,000,000) (the "Underwritten Offering"), then the Series C Preferred stock shall be automatically and without notice convertible into Common Stock of the company concurrently with the subsequent Underwritten Offering at the same per share offering price of the Underwritten Offering. If the Underwritten Offering occurs within twelve months of the issuance of the Series C Preferred stock to the holder, the annual dividend of 10.0% shall become immediately accrued to the balance of the Series C Preferred stock and converted into the Underwritten Offering.

*Liquidation Rights.* Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Series C Preferred shares shall have a liquidation preference to the Common shares at an amount equal to \$1.00 per share.

As of February 21, 2019, all Series C Preferred stock has been converted into Common shares of the company.

A 2016 Stock Incentive Plan (2016 Plan) was approved by the Board during January 2016. The Company may grant up to 6,363,225 shares of Series A Preferred stock under the 2016 Plan. The 2016 Plan is administered by the Board of Directors, which has substantial discretion to determine persons, amounts, time, price, exercise terms, and restrictions of the grants, if any. The options issued under the 2016 Plan vest upon issuance.

A new 2018 Stock Option Plan (2018 Plan) was approved by the Board on July 1, 2018. The Company may grant up to 4,000,000 shares of common stock under the 2018 Plan. The 2018 Plan is administered by the Board of Directors, which has substantial discretion to determine persons, amounts, time, price, vesting schedules, exercise terms, and restrictions of the grants, if any. On September 12, 2018, the Board issued a total of 636,830 options to four employees of the Company under the 2018 Plan. The options have an expiration date of September 10, 2025 and have an exercise price of \$1.00 per share. Of the total options issued, 25,000 vested immediately, with the balance of 611,830 options vesting equally over the course of three years, subject to restrictions regarding the employee's continued employment by the Company.

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The Series B Preferred Stock converts into common stock of the Company at the holder's discretion at a conversion price of \$3.60 per common share (one share of Series B Preferred converts to common at a ratio of 0.27778). Furthermore, the Series B Preferred share purchase agreement provides for certain adjustments to the conversion value of the Series B Preferred to common shares of the Company that are based on the EBITDA (earning before interest, taxes, depreciation, and amortization) for the Company for the 12 months ended March 31, 2018 of \$6,000,000. Those adjustments provide for a decrease in the conversion value based on the proportional miss of the Company's EBITDA, up to a maximum of 30.0% decrease in the conversion value of the Series B Preferred to common shares.

The Series B Preferred share purchase agreement provides for a period of nine months post execution of the purchase agreement for an option for the investor to put the Series B Preferred investment to the Company at a premium to the Series B Preferred purchase price should the Company achieve certain hurdles, such as a secondary offering and an up-listing to a national stock exchange. Such put option expires after 20 days from notification of the Company to the Series B Preferred investor of the fulfillment of such qualifications.

On June 12, 2019, we entered into an agreement with Golden Properties Ltd., a British Columbia company based in Vancouver, Canada ("Golden Properties") to amend warrants "C-1", "C-2" "C-3", and "C-4" that were originally part of a October 4, 2017 agreement with Golden Properties that involved a series of loans made by Golden Properties to the Company. As a result, the following warrants are issued to Golden Properties:

- Warrant B-4, for the purchase of 3,417,006 shares of common stock at \$0.01 per share, as adjusted from time to time, expiring on October 4, 2020, and providing the Company with up to \$34,170 in cash proceeds should all the warrants be exercised. There was no change to Warrant B-4 as part of the June 12, 2019 amendment;
- Warrant C-1, for the purchase of 750,000 shares of common stock at \$3.55 per share, as adjusted from time to time, expiring on October 4, 2020, and providing the Company with up to \$2,662,500 in cash proceeds should all the warrants be exercised;
- Warrant C-2, for the purchase of 750,000 shares of common stock at \$4.25per share, as adjusted from time to time, expiring on October 4, 2020, and providing the Company with up to \$2,836,000 in cash proceeds should all the warrants be exercised;
- Warrant C-3, for the purchase of 750,000 shares of common stock at \$4.50 per share, as adjusted from time to time, expiring April 4, 2022, and providing the Company with up to \$3,375,000 in cash proceeds should all the warrants be exercised; and
- Warrant C-4, for the purchase of 750,000 shares of common stock at \$5.00 per share, as adjusted from time to time, expiring April 4, 2022, and providing the Company with up to \$3,750,000 in cash proceeds should all the warrants be exercised.

As of the date of this annual report, 600,000 shares of Warrant B-4 have been exercised cashlessly and as a result the shareholder received 599,427 shares of common stock as a result of the exercise

Total stock based compensation expense incurred for awards to employees and directors during 2019 and 2018 was \$377,255 and \$63,127, respectively. Fair value was determined using the Black-Sholes Option Pricing Model.

The preferred dividend requirement for 2019 and 2018 amounted to \$- and \$114,850, respectively.

On July 18, 2018, the Company issued 150,000 common shares valued at \$165,000 to Sylva International LLC for an agreement to provide digital marketing services to the Company. The agreement was subsequently terminated by the Company for breach of contract.

On September 14, 2018, the Company issued 105,000 common shares valued at \$152,250 and 175,000 warrants valued at \$163,847 to Redstone Communications LLC as compensation for the first six months of an agreement to provide for public relations with existing shareholders, broker dealers, and other investment professionals for the Company. These warrants vest immediately, have an exercise price of \$1 and a 5 year term



On September 14, 2018, the Company issued 45,000 common shares valued at \$65,250 and 75,000 warrants valued at \$70,220 to Mr. Marlin Molinaro as compensation for the first six months of an agreement to provide for public relations with existing shareholders, broker dealers, and other investment professionals for the Company. These warrants vest immediately, have an exercise price of \$1 and a 5 year term.

On October 24, 2018, warrants totaling 69,420 common shares of the company were exercised by a non-affiliated shareholder. The exercise was a cashless exercise.

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On November 5, 2018, 4,336,012 Series A Preferred shares were converted into 14,453,373 common shares of the Company in a cashless conversion.

On November 7, 2018, the Company issued 1,727,276 shares, valued at \$22,091,860, as part of the consideration for the acquisition of five permits, coal processing and loading facilities, surface ownership, mineral ownership, and coal refuse storage facilities from unrelated entities by the Company's wholly-owned subsidiary, Wyoming County Coal LLC.

On November 7, 2018, 964,290 of Series B preferred shares and \$0 of accrued dividends were converted into 267,859 common shares of the Company in a cashless conversion.

On November 7, 2018, \$36,000 worth of trade payables were settled with 6,000 common shares of the Company, resulting in a loss of \$40,740.

On November 8, 2018, the Company's Board of Directors elected to amend its Articles of Incorporation, canceled its Series B Preferred Stock, designated 20,000,000 shares of a newly created Series C Preferred Stock, and amended its Series A Preferred stock for the following key provisions: voting rights of 333(1/3) votes of common stock for each Series A Preferred stock, and anti-dilution protection through March 1, 2020 at no less than 72.0% of the fully-diluted common shares. The newly created Series C Preferred Stock carries the following key provisions: automated conversion to common shares upon the completion of a underwritten equity offering totaling \$5,000,000 or more and a paid in kind annual dividend with a 10% annual percentage rate.

On November 14, 2018, \$225,000 of debt to an unrelated entity, was converted into 37,500 shares of common stock, resulting in a loss of \$206,250.

On November 15, 2018, three independent directors were appointed. As compensation for their services, each of the directors were issued a three-year warrant to purchase up to 15,000 common shares of the Company at an exercise price of \$6.00 per share, subject to certain price adjustments and other provisions found within the respective warrants. The warrants have a 3 year term, vest ratably over their term and will result in a current expense of \$9,488 and a future expense of \$113,850 totaling \$341,550.

On November 27, 2018, 50,000 shares of Series C preferred shares were sold at \$1.00 per share resulting in proceeds of \$50,000 for the Company.

Under an agreement dated November 1, the Company, on December 3, 2018, issued 10,000 shares of Class A Common stock and a warrant to purchase 417 shares, valued at \$2,527, of the company were issued to an unrelated firm for consulting services. The warrant has a strike price of \$6.00 per share, has a two-year term, and can be exercised via a cashless exercise by the holder at any time during its term. The agreement also carries the commitment that a cash fee of \$10,000 will be payable under the agreement at the time the company closes a financing of greater than \$1.0 million. An additional 15,000 shares will be issued on June 1, 2019 if the agreement is still in effect.

On January 16, 2019, an affiliate of the Company converted its remaining 29,051 shares of Series A Preferred into 96,837 common shares.

On January 17, 2019, a non-affiliated shareholder partially exercised 300,000 shares of a warrant they held in the Company. The exercise was cashless, and the shareholder received 299,713 shares of common stock as a result of the conversion.

On January 25, 2019, the Company extended its consulting agreement with Redstone Communications, LLC for an additional six-month term, and as a result, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro, another five-year warrant to purchase up to 175,000 common shares of our Company at an exercise price of \$1.50 per share and issued to Mr. Marlin Molinaro another five-year warrant option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.50 per share as compensation for the second six months of an agreement. Should Redstone Communications, LLC and Mr. Molinaro. If the warrants which are received under the second six months of engagement are exercised, the Company will receive up to \$262,500 and \$112,500, respectively. The common shares were valued at \$10.50 on January 25, 2019 and resulted in an expense of \$1,575,000 which was recorded in full on January 25, 2019. The corresponding expense of the issued warrants was recorded in full in the amount of \$2,385,000.

On January 27, 2019, the Company issued 1,000 shares of common shares to an unrelated party for the consideration of \$5,000 cash to the Company.

On January 28, 2019, the Company issued a total of 400 shares of common shares to two unrelated parties for the total consideration of \$2,000 cash to the Company.

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On January 30, 2019, the Company entered into an Investor Relations Agreement with American Capital Ventures, Inc. ("American Capital") whereby American Capital will provide, among other services, assistance to the Company in planning, reviewing and creating corporate communications, press releases, and presentations and consulting and liaison services to the Company relating to the conception and implementation of its corporate and business development plan. The term of the agreement is six months and American Capital was immediately issued 9,000 shares of common shares as compensation under the agreement. The common shares were valued at \$10.80 on January 30, 2019 and resulted in an expense of \$97,200 which was recorded in full on January 30, 2019.

On January 31, 2019, the Company issued a total of 3,917 shares of common shares, priced at \$6 per share, to an unrelated party for the settlement of trade payables in the total amount of \$23,502. If at the time of potential sale of the shares, the listed price per share is below \$6, the Company is required to purchase the shares back at \$6 per share which results in a contingent liability of \$23,502. The common shares were valued at \$11.00 on January 31, 2019 and resulted in a loss on settlement of \$19,585.

On February 1, 2019, the Company issued a total of 1,000 shares of common shares to two unrelated parties for the total consideration of \$5,000 cash to the Company.

On February 6, 2019, a non-affiliated shareholder partially exercised 300,000 shares of a warrant they held in the Company. The exercise was cashless, and the shareholder received 299,714 shares of common stock as a result of the conversion.

On February 4 through February 8, 2019, the Company issued a total of 17,800 shares of common shares to sixteen unrelated parties for the total consideration of \$89,000 cash to the Company.

On February 10, 2019, \$3,000 worth of trade payables were settled with 500 common shares of the company. The common shares were valued at \$12.15 on February 10, 2019 and resulted in a loss on settlement of \$3,075.

On February 12, 2019, the Company executed a contract with an unrelated party for the acquisition of stock and assets of entities with non-operating assets consisting of surface and mineral ownership and other related agreements. Consideration is in the form of 2,000,000 common shares, priced at the closing market price of \$12.20 per share of common share, as well as \$500,000 cash and a promissory note totaling \$2,000,000 with a maturity of less than 1 year. The note is secured by a land contract on the acquired property.

On February 14, 2019, 452,729 Series A preferred shares were converted into 1,509,097 common shares of the company in a cashless conversion under the terms of the agreement. This resulted in no more Series A Preferred stock being outstanding as of this date.

On February 20, 2019, the Company issued 1,000,000 shares of Class A Common Stock at a price of \$4 per share in conjunction with its effective S-1/A Registration Statement. Net proceeds to the Company amounted to \$3,695,000. As part of the underwriter agreement, 70,000 warrants to purchase Class A Common Stock were issued to the underwriter. These warrants expire on February 15, 2021 and carry an exercise price of \$4.40 per share. The warrants had a value of \$123,000 was recorded as an increase and decrease in additional paid in capital. Offering costs totaled \$447,000, which has been recorded as a reduction of equity.

On February 21, 2019, 50,000 Series C Preferred shares were converted into 13,750 shares of Class A Common Stock in a cashless conversion under the terms of the agreement. This resulted in no more Series C Preferred stock being outstanding as of this date.

On March 7, 2019, the Company issued an additional 150,000 shares of Class A Common Stock at a price of \$4 per share as the over-allotment from the effective S-1/A Registration Statement. The net proceeds to the company amounted to \$558,000. As part of the underwriter agreement, 10,500 warrants to purchase Class A Common Stock were issued to the underwriter. These warrants expire on February 15, 2021 and carry an exercise price of \$4.40 per share. The warrants had a value of \$23,100 was recorded as an increase and decrease in additional paid in capital.

On May 7, 2019, the Company issued 200,000 shares of common stock as part of a settlement to an unrelated entity for the use of certain mining equipment. The stock price at the time of issuance was \$3.88 resulting in a settlement gain of \$6,000.

On May 30, 2019, the Company issued 25,000 shares to an unrelated entity in conjunction with a short-term borrowing facility issued by the entity. The stock price at the time of issuance was \$3.49 resulting in a stock interest expense of \$87,250.

On June 5, 2019, the Company issued options to certain employees in the amount of 175,000 under an adopted stock option plan. The issuance of employee options resulted in an expense totaling \$4,910. The total expense will be \$353,500 which will be amortized over the three-year vesting period.

On June 6, 2019, the Company and a former employee reached a settlement agreement where 107,000 shares of common stock were canceled and returned to the company. These shares were forfeited and returned to the company for no consideration and are accounted for as authorized and not issued.

On June 7, 2019, the Company issued 25,000 shares of common stock at \$4 per share to an unrelated entity under an equity purchase agreement. The Company received \$100,000 cash consideration for the investment. The stock price at the time of issuance was \$2.10. If the Company, during the period in which the purchased shares are held by the original entity, issues or sells any shares of common stock for a price less than \$4.00, the Company shall issue to the purchaser an additional number of shares of common stock, so as to provide the purchaser the benefit of the reduced price per share.

On June 7, 2019, the Company issued 30,000 shares of common stock for consulting services to an unrelated party. The stock price at the time of issuance was \$2.10 resulting in an expense totaling \$63,000. The consulting agreement is for six months and the shares for services were deemed to have been earned upon execution of the consulting agreement on May 30, 2019. In addition to the shares issued, 75,000 warrants with three-year exercise period and \$4.00 strike price were issued upon execution of the consulting agreement resulting in a expense of \$139,500.

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On June 12, 2019, the Company restructured a series of warrants; C-1, C-2, C-3 and C-4, held by an unrelated party as part of the ARC business loan which resulted in an increase in the number of warrants issued from 1.6 million shares across four warrants to 3.0 million shares across four warrants; an increase in the term of the warrants from the date of the amendment from a weighted average of 297 days to 753 days, and a decrease in the weighted average exercise price from \$7.665 per share to \$4.325 per share. Fair value was determined using the Black-Scholes Option Pricing Model. The incremental value as a result of the modification is a one-time warrant expense totaling \$2,545,360 as of June 30, 2019.

On June 13, 2019, the Company issued 28,000 shares of common stock under a consulting agreement to an unrelated party. The stock price at the time of issuance was \$2.53 resulting in a stock-based compensation of \$70,840. The term of the consulting agreement is 6 months with monthly payments equal to \$5,000 payable in months three through six of the agreement.

On July 1, 2019, the Company issued 200,000 common stock options under the Incentive Stock Option Agreement. The options vest equally over an 8 year term and have an exercise price of \$3.52 per share. Utilizing a Black-Scholes Option Pricing model, the value of these options at issuance was determined to be \$540,000, which is being amortized over the vesting term.

On August 16, 2019, the Company issued 300,000 shares of Class A Common Stock in conjunction with a \$800,000 loan from an unrelated party. Based on a relative fair value calculation, the stock issuance created a debt discount totaling \$210,581 which was fully amortized during the three month period ending September 30, 2019.

On August 27, 2019, the Company issued 3,600,000 shares of Class A Common Stock at a price of \$1.04 per share. In conjunction with the common stock issuance, the Company issued warrants to purchase up to 3,600,000 shares of common stock at \$.01 for each warrant in conjunction with its effective S-3/A Registration Statement. Net proceeds to the Company amounted to \$3,409,600. The warrants to purchase

common stock carry an exercise price of \$1.20 and a 5-year term. Offering costs totaled \$370,400, which has been recorded as a reduction of equity.

On September 30, 2019, the Company issued warrants to purchase up to 445,400 shares of common stock at \$.01 for each warrant in conjunction with its effective S-3/A Registration Statement. Net proceeds to the Company amounted to \$4,098. The warrants to purchase common stock carry an exercise price of \$1.20 and a 5-year term. Offering costs totaled \$356, which has been recorded as a reduction of equity.

On October 11, 2019, the Company issued 70,238 shares of Class A Common Stock pursuant to prior stock purchase agreement dated May 30, 2019. The share price at issuance was \$0.67.

On October 23, 2019, the Company issued 23,077 shares of Class A Common Stock pursuant to an agreement for public relations. The share price at issuance was \$0.70.

On October 31, 2019, the Company issued 50,000 shares of Class A Common Stock pursuant to an agreement for investor relations. The share price at issuance was \$0.74.

The company uses the black Scholes option pricing model to value its warrants and options. The significant inputs are as follows

	2019	2018
Expected Dividend Yield	0%	0%
Expected volatility	87.99-109%	87.97-109%
Risk-free rate	1.40-1.62%	1.03-2.73%
Expected life of warrants	1-7.75 years	2-5 years

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Company Warrants:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Exercisable (Vested) - December 31, 2017	5,364,230	\$ 2.638	2.835	\$ 138,069
Granted	250,417	\$ 1.008	4.699	\$ 2,251,668
Forfeited or Expired	-	-	-	-
Exercised	69,420	\$ 0.003	1.367	\$ 194,513
Outstanding - December 31, 2018	5,545,227	\$ 2.745	1.704	\$ 42,063,228
Exercisable (Vested) - December 31, 2018	5,545,227	\$ 2.745	1.704	\$ 42,063,228
Granted	7,450,900	\$ 2.531	-	\$ -
Forfeited or Expired	1,697,223	7.638	-	\$ -
Exercised	600,000	\$ 0.010	-	\$ -
Outstanding - December 31, 2019	10,698,904	\$ 1.856	2.310	\$ 1,746,544
Exercisable (Vested) - December 31, 2019	10,689,904	\$ 1.856	2.310	\$ 1,746,544

Company Options:

Number of	Weighted Average Exercise	Weighted Average Contractual	Aggregate Intrinsic
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	Options	Price	Life in Years	Value
Exercisable (Vested) - December 31, 2017	-	-	-	-
Granted	681,830	\$ 1.330	6.447	\$ 405,000
Forfeited or Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding - December 31, 2018	681,830	\$ 1.413	6.447	\$ 405,000
Exercisable (Vested) - December 31, 2018	70,000	\$ 4.214	4.247	\$ 405,000
Outstanding - December 31, 2018	681,830	\$ 1.413	6.447	\$ 405,000
Exercisable (Vested) - December 31, 2018	70,000	\$ 4.214	4.247	\$ 405,000
Granted	375,000	\$ 3.105	6.999	\$ -
Forfeited or Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding - December 31, 2019	1,056,830	\$ 1.960	5.998	\$ -
Exercisable (Vested) - December 31, 2019	273,943	\$ 1.821	5.072	\$ -

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#### **NOTE 9 – CONTINGENCIES AND COMMITMENTS**

In the course of normal operations, the Company is involved in various claims and litigation that management intends to defend. The range of loss, if any, from potential claims cannot be reasonably estimated. However, management believes the ultimate resolution of matters will not have a material adverse impact on the Company's business or financial position.

In the course of normal operations, the Company is involved in various claims and litigation that management intends to defend. The range of loss, if any, from potential claims cannot be reasonably estimated. However, management believes the ultimate resolution of matters will not have a material adverse impact on the Company's business or financial position. These claims include amounts assessed by the Kentucky Energy Cabinet totaling \$1,368,390, the Company has accrued \$2,157,106 as a payable to the Commonwealth of Kentucky including amounts owed to the Kentucky Energy Cabinet. Claims assessed by the Mine Health Safety Administration totaling \$905,433 of which the Company has accrued \$570,876 as a payable. During 2019, McCoy and Deane, received notice of intent to place liens for amounts owed on federal excise taxes. The amounts associated with the notices are included in the company's trade payables.

On November 7, 2018, Wyoming County Coal LLC, acquired 5 permits, coal processing and loading facilities, surface ownership, mineral

ownership, and coal refuse storage facilities from unrelated entities. Consideration for the acquired assets was the assumption of reclamation bonds totaling \$234,240, 1,727,273 shares of common stock of the company, a seller note of \$350,000 and a seller note of \$250,000. On September 20, 2019 Wyoming County received a Notice of Breach of the asset purchase agreement between WCC and Synergy Coal, LLC due to consideration of \$225,000 not being paid, failure to file for permit transfers and pay delinquent transfer fees of \$10,500 and other contract breaches, including failure to transfer reclamation surety bonds. WCC has paid the delinquent transfer fees and has filed for permit transfer. As a result of these steps, the seller notified us on May 17, 2020 that all breaches were cured. As of the balance sheet date and report date, the West Virginia permit transfers have not yet been approved, the seller has not been paid cash amounts due, and WCC has not substituted its reclamation surety bonds for the seller's bond collateral.

The Empire acquisition loan in conjunction with the Empire Kentucky Land merger totaling \$2,500,000 is due with \$500,000 upfront and \$2,000,000 due through a \$1 per ton royalty off the coal sold from the acquired property and is secured by the underlying property. As of the balance sheet date the agreement was in default and the company received a breach of contract notice in September 2019. On May 8, 2020, the Company entered into a Settlement, Rescission and Mutual Release Agreement with the parties of the Empire acquisition. The agreement provides for the property of Empire to transfer back to the former parties for the return of 2,000,000 common shares of the Company and extinguishment \$2,000,000 seller financing note. Additionally, permits and bonding liability associated with the Point Rock Mine were also transferred back to the original permit holders for the consideration of them assuming the reclamation liability. The default was cured on May 8, 2020 through the Settlement, Rescission and Mutual Release Agreement.

On August 21, 2018, Deane and an unrelated vendor entered into a settlement agreement for past payables. Pursuant to the settlement agreement, Deane will pay the full outstanding unpaid balance in accordance with the agreed to schedule, with the full amount being due on January 3, 2019. As of the balance sheet date, Deane was in default of this agreement. The amounts were settled and converted into senior convertible notes in 2020. (See Note 10)

On April 3, 2019 KCC partially settled a case relating to a reclamation issue while the property was under former ownership. The settled amount is \$100,000 which will be paid out of a prior insurance policy. The remaining portion of the case was settled during for amount of \$280,000. The outstanding amount has not been paid as of the report date and is included in trade payables.

On September 26, 2019, the Company received notice that a certain lease assumption as part of the PCR acquisition was being disputed by the lessor (see note 1).

During January 2020, the Company and Sylva International LLC agreed to the termination of a digital marketing consulting services agreement that the Company had entered upon mutually acceptable terms.

The company leases various office space some from an entity which was consolidated as a variable interest entity until June 30, 2018 (see note 4). The rental lease for the Company's former principal office space expired in December 31, 2018 and continued on a month-to-month basis until February 15, 2019. The future annual rent is \$6,000 through 2021. Rent expense for the year ended December 31, 2019 and 2018 amounted to \$32,000 and \$32,000 each period, respectively.

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**NOTE 10 - SUBSEQUENT EVENTS**

Empire Coal and Point Rock Settlement

On May 8, 2020, the Company entered into a Settlement, Rescission and Mutual Release Agreement with the parties of the Empire acquisition. The agreement provides for the property of Empire to transfer back to the former parties for the return of 2,000,000 common shares of the Company and extinguishment \$2,000,000 seller financing note. Additionally, permits and bonding liability associated with the Point Rock Mine were also transferred back to the original permit holders for the consideration of them assuming the reclamation liability.

Common Stock Transactions

On May 8, 2020, 2,000,000 common shares of the company were returned as part of the Empire Coal and Point Rock Settlement. See above.

On April 1, 2020, 600,000 common shares of the company were issued as part of the settlement with ENCECo, Inc. See below.

On May 26, 2020, 20,000 common shares of the company were issued as part of an investor relations contract. The contract, dated March 1, 2020 has a three month term, with \$7,500 in cash due monthly and the issuance of 20,000 shares that fully vest over the three month term.

Warrant Modification

On February 3 2020, we entered into a warrant adjustment agreement with Golden Properties Ltd., a British Columbia company based in Vancouver, Canada ("Golden Properties") to amend warrants "C-1", "C-2" "C-3", and "C-4" that were originally part of a October 4, 2017 agreement with Golden Properties that involved a series of loans made by Golden Properties to the Company. As a result, the following warrants modified for Golden Properties:

- Warrant C-1, for the purchase of 750,000 shares of common stock at \$1.05 per share, as adjusted from time to time, expiring on January 31, 2023, and providing the Company with up to \$787,500 in cash proceeds should all the warrants be exercised;
- Warrant C-2, for the purchase of 750,000 shares of common stock at \$1.05 per share, as adjusted from time to time, expiring on January 31, 2023, and providing the Company with up to \$787,500 in cash proceeds should all the warrants be exercised;
- Warrant C-3, for the purchase of 750,000 shares of common stock at \$1.05 per share, as adjusted from time to time, expiring January 31, 2023, and providing the Company with up to \$787,500 in cash proceeds should all the warrants be exercised; and
- Warrant C-4, for the purchase of 750,000 shares of common stock at \$1.05 per share, as adjusted from time to time, expiring January 31, 2023, and providing the Company with up to \$787,500 in cash proceeds should all the warrants be exercised.

Senior Convertible Notes

On February 3, 2020, the Company formalized the issuance of senior convertible notes. The notes have a minimum offering amount of \$12,500,000 and maximum of \$25,000,000 and minimum investment of \$500,000. The notes carry a 24-month term, 12.5% interest 10% warrant coverage and a conversion price of \$1.05. The warrants have an exercise price of \$1.50. As of the report date, \$13,251,846 of notes have been issued for the settlement of prior debt and \$222,500 has been issued for cash and 1,347,434 warrants have been issued in conjunction with the issuance of the notes.

The following notes and liabilities were converted or settled into the senior convertible notes:

- ARC Business Loan for the principal amount of \$9,494,073.
- Libertas Funding LLC for the principal amount of \$375,690.
- Wyoming County Seller Note for the principal amount of \$225,000
- Trade payable to Dominion Carbon Sales, LLC for the principal amount of \$200,000
- Trade payable to Calvin R. Tackett for the principal amount of \$110,000
- Interest and usage fees for the ENCECo, Inc. for the principal amount of \$900,000
- Coking Coal Financing, LLC for the principal amount of \$1,888,444
- Note with officers for the principal amount of \$58,639.

#### Promissory Note

On April 21, 2020, the Company entered into a promissory note with Merchants Bank of Indiana for the amount of \$2,649,800. The note accrues interest at 1% and is due April 1, 2022. Commencing October 21, 2020, payments of principal and interest are due on a repayment schedule of eighteen months. The promissory note was issued pursuant to the CARES Act and SBA's Paycheck Protection Program.

#### Contract Services Agreement

On February 13, 2020, the Company entered into a Contract Services Agreement with Land Betterment Corporation, an entity controlled by certain members of the Company's management who are also directors and shareholders. The contract terms state that service costs are passed through to the Company with a 10% mark-up and a 50% share of cost savings. The services agreement covers all of the Company's properties.

#### COVID-19

Beginning late of 2019 management anticipated adverse market conditions globally, and in response began to selectively reduce or idle coal production operations and furlough or terminate employees. During Q1 2020, the worldwide COVID-19 outbreak sharply reduced worldwide demand for infrastructure and steel products and their necessary inputs including Metallurgical coal. Company management fully idled the Company's operations accordingly, and the operations have remained idled through the report date. These recent, global market disruptions and developments are expected to result in lower sales and gross margins for the coal industry and the Company in 2020 and possibly beyond.



### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 333-230786) on Form S-3 of our report dated May 29, 2020 with respect to the audited consolidated financial statements of American Resources Corporation for the years ended December 31, 2019 and 2018. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ MaloneBailey, LLP  
 www.malonebailey.com  
 Houston, Texas  
 May 29, 2020

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Public Company Accounting Oversight Board Registered AICPA  
 An Independently Owned and Operated Member of Nexia International



**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
Certification of Principal Executive Officer**

I, Mark C. Jensen, certify that:

1. I have reviewed this annual report on Form 10-K of American Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**AMERICAN RESOURCES CORPORATION**

Date: May 29, 2020

By: /s/ Mark C. Jensen

Mark C. Jensen,  
Chief Executive Officer  
Principal Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
Certification of Principal Financial Officer and  
Principal Accounting Officer**

I, Kirk P. Taylor, certify that:

1. I have reviewed this annual report on Form 10-K of American Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**AMERICAN RESOURCES CORPORATION**

Date: May 29, 2020

By: /s/ Kirk P. Taylor

Kirk P. Taylor,  
Chief Financial Officer  
Principal Financial Officer  
Principal Accounting Officer



**Certification of Principal Executive Officer  
Pursuant to 18 U.S.C. SECTION 1350**

In connection with the Annual Report of American Resources Corporation, (the "Company") on Form 10-K for the year ending December 31, 2019 to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Mark C. Jensen, Principal Executive Officer of the Company, certify, to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (i) the accompanying Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

**AMERICAN RESOURCES CORPORATION**

Date: May 29, 2020

By: /s/: Mark C. Jensen

Mark C. Jensen,  
Chief Executive Officer  
Principal Executive Officer

**Certification of Principal Financial Officer  
and Principal Accounting Officer  
Pursuant to 18 U.S.C. SECTION 1350**

In connection with the Annual Report of American Resources Corporation (the "Company") on Form 10-K for the year ending December 31, 2019 to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Kirk P. Taylor, Principal Financial Officer and Principal Accounting Officer of the Company, certify, to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (i) the accompanying Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

**AMERICAN RESOURCES CORPORATION**

Date: May 29, 2020

By: /s/: Kirk P. Taylor  
Kirk P. Taylor,  
Chief Financial Officer  
Principal Financial Officer  
Principal Accounting Officer

**Federal Mine Safety and Health Act Information**

We work to prevent accidents and occupational illnesses. We have in place health and safety programs that include extensive employee training, safety incentives, drug and alcohol testing and safety audits. The objectives of our health and safety programs are to provide a safe work environment, provide employees with proper training and equipment and implement safety and health rules, policies and programs that foster safety excellence.

Our mining operations are subject to extensive and stringent compliance standards established pursuant to the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA monitors and rigorously enforces compliance with these standards, and our mining operations are inspected frequently. Citations and orders are issued by MSHA under Section 104 of the Mine Act for violations of the Mine Act or any mandatory health or safety standard, rule, order or regulation promulgated under the Mine Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Mine Act. We present information below regarding certain mining safety and health violations, orders and citations, issued by MSHA and related assessments and legal actions and mine-related fatalities with respect to our active coal mining operations. In evaluating this information, consideration should be given to factors such as: (i) the number of violations, orders and citations will vary depending on the size of the coal mine, (ii) the number of violations, orders and citations issued will vary from inspector to inspector and mine to mine, and (iii) violations, orders and citations can be contested and appealed, and in that process, are often reduced in severity and amount, and are sometimes dismissed.

The following tables include information required by the Dodd-Frank Act for the year ended December 31, 2019. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA's system and/or other factors.

<i>Mine or Operating Name / MSHA Identification Number</i>	<i>Section 104(a) S&amp;S Citations<sup>(1)</sup></i>	<i>Section 104(b) Orders<sup>(2)</sup></i>	<i>Section 104(d) Citations and Orders<sup>(3)</sup></i>	<i>Section 110(b)(2) Violations<sup>(4)</sup></i>	<i>Section 107(a) Orders<sup>(5)</sup></i>	<i>Total Dollar Value of MSHA Assessments Proposed (in thousands)<sup>(6)</sup></i>
<b>Active Operations</b>						
McCoy Elkhorn Mine #15 / 15-18775	12	1	0	0	0	\$ 548.9
McCoy Elkhorn Carnegie 1 Mine / 15-19313	3	0	0	0	0	\$ 36.66
McCoy Elkhorn Bevins Branch Preparation Plant / 15-10445	6	0	0	0	0	\$ 58.8
McCoy Elkhorn PointRock / 15-07010	0	0	0	0	0	\$ 0.0
Deane Mining Access Energy Mine/ 15-19532	0	0	0	0	0	\$ 186.1
Deane Mining Mill Creek Preparation Plant / 15-16577	0	0	0	0	0	\$ 20.2
Deane Mining Razorblade / 15-19829	0	0	0	0	0	\$ 6.2
Knott County Coal Wayland/15-19402	0	0	0	0	0	\$ 0.0
Perry County Davidson Preparation Plant / 15-05485	5	0	0	0	0	\$ 7.4
Perry County E4-2 Mine / 15-19015	13	0	0	0	0	\$ 41.96

<i>Mine or Operating Name / MSHA Identification Number</i>	<i>Total Number of Mining Related Fatalities</i>	<i>Received Notice of Pattern of Violations Under Section 104(e) (yes/no)<sup>(7)</sup></i>	<i>Legal Actions Pending as of Last Day of Period</i>	<i>Legal Actions Initiated During Period</i>	<i>Legal Actions Resolved During Period</i>
<b>Active Operations</b>					
McCoy Elkhorn Mine #15 / 15-18775	0	No	0	0	0
McCoy Elkhorn Carnegie 1 Mine / 15-19313	0	No	0	0	0
McCoy Elkhorn Bevins Branch Preparation Plant / 15-10445	0	No	0	0	0
McCoy Elkhorn PointRock / 15-07010	0	No	0	0	0
Deane Mining Access Energy Mine / 15-19532	0	No	0	0	0
Deane Mining Mill Creek Preparation Plant / 15-16577	0	No	0	0	0
Deane Mining Razorblade / 15-19829	0	No	0	0	0
Knott County Coal Wayland / 15-19402	0	No	0	0	0
Perry County Davidson Preparation Plant / 15-05485	0	No	0	0	0
Perry County E4-2 Mine / 15-19015	0	No	0	0	0

The number of legal actions pending before the Federal Mine Safety and Health Review Commission as of December 31, 2019 that fall into each of the following categories is as follows:

<i>Mine or Operating Name / MSHA Identification Number</i>	<i>Contests of Citations and Orders</i>	<i>Contests of Proposed Penalties</i>	<i>Complaints for Compensation</i>	<i>Complaints of Discharge / Discrimination / Interference</i>	<i>Applications for Temporary Relief</i>	<i>Appeals of Judge's Ruling</i>
<b>Active Operations</b>						
McCoy Elkhorn Mine #15 / 15-18775	57	57	0	0	0	0
McCoy Elkhorn Carnegie 1 Mine / 15-19313	3	3	0	0	0	0
McCoy Elkhorn Bevins Branch Preparation Plant / 15-10445	7	7	0	0	0	0
McCoy Elkhorn PointRock / 15-07010	0	0	0	0	0	0
Deane Mining Access Energy Mine / 15-19532	10	10	0	0	0	0
Deane Mining Mill Creek Preparation Plant / 15-16577	25	25	0	0	0	0
Deane Mining Razorblade / 15-19829	0	0	0	0	0	0
Knott County Coal Wayland / 15-19402	0	0	0	0	0	0
Perry County Davidson Preparation Plant / 15-05485	0	0	0	0	0	0
Perry County E4-2 Mine / 15-19015	44	0	0	0	0	0

- 
- (1) Mine Act section 104(a) S&S citations shown above are for alleged violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine health and safety hazard. It should be noted that, for purposes of this table, S&S citations that are included in another column, such as Section 104(d) citations, are not also included as Section 104(a) S&S citations in this column.
- (2) Mine Act section 104(b) orders are for alleged failures to totally abate a citation within the time period specified in the citation.
- (3) Mine Act section 104(d) citations and orders are for an alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with mandatory health or safety standards.
- (4) Mine Act section 110(b)(2) violations are for an alleged "flagrant" failure (i.e., reckless or repeated) to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- (5) Mine Act section 107(a) orders are for alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated and result in orders of immediate withdrawal from the area of the mine affected by the condition.
- (6) Amounts shown include assessments proposed by MSHA during the year ended December 31, 2019 on all citations and orders, including those citations and orders that are not required to be included within the above chart. This number may differ from actual assessments paid to MSHA as the Company may contest any proposed penalty.
- (7) Mine Act section 104(e) written notices are for an alleged pattern of violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine safety or health hazard.