SECURITIES & EXCHANGE COMMISSION EDGAR FILING

American Resources Corp

Form: 10-Q

Date Filed: 2018-11-14

Corporate Issuer CIK: 1590715

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **September 30, 2018**

or

❑ TRANSITION REPORT PURSUANT TO 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	**46-3914127**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9002 Technology Lane
Fishers, IN 46038
(Address and Zip Code of principal executive offices)

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

Indicate by check mark whether the Issuer (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 x No ❑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 x 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 the "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	❑	Accelerated filer	❑
Non-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 Exchange Act). Yes ❑ No ☑

As of November 14, 2018, the registrant had 17,715,969 shares of Class A common stock issued and outstanding.

AMERICAN RESOURCES CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

AMERICAN RESOURCES CORPORATION

CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)

For the three months and nine months ended
September 30, 2018

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AMERICAN RESOURCES CORPORATION

CONSOLIDATED BALANCE SHEETS
UNAUDITED

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	$ 57,739	$ 186,722
Accounts Receivable	2,801,040	1,870,562
Inventory	426,725	615,096
Prepaid fees	147,826	-
Accounts Receivable - Other	102,994	30,021
Total Current Assets	3,536,324	2,702,401
OTHER ASSETS		
Cash - restricted	286,043	198,943
Processing and rail facility	2,802,855	2,914,422
Underground equipment	9,346,692	8,887,045
Surface equipment	4,532,724	3,957,603
Mining rights (net of amortization of $181,385 and $0)	2,036,567	-
Less Accumulated Depreciation	(6,600,108)	(4,820,569)
Land	-	178,683
Accounts Receivable - Other	-	127,718
Note Receivable	4,117,139	4,117,139
Total Other Assets	16,521,912	15,560,984
TOTAL ASSETS	$ 20,058,236	$ 18,263,385

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts payable	$ 6,813,924	$ 5,360,537
Accrued management fee	-	17,840,615
Accrued interest	624,209	336,570
Accrued dividend on Series B	104,157	-
Funds held for others	63,767	82,828
Due to affiliate	636,378	124,000
Current portion of long term-debt (net of issuance costs and debt discount of $387,442 and $35,000)	14,625,099	9,645,154
Current portion of reclamation liability	2,275,848	2,033,862
Total Current Liabilities	25,143,382	35,423,566
OTHER LIABILITIES		
Long-term portion of note payable (net of issuance costs of $420,293 and $440,333)	5,072,493	5,081,688
Reclamation liability	20,289,527	17,851,195
Total Other Liabilities	25,362,020	22,932,883
Total Liabilities	50,505,402	58,356,449
STOCKHOLDERS' DEFICIT		
AREC - Class A Common stock: $.0001 par value; 230,000,000 shares authorized, 1,192,044 and 892,044 shares issued and outstanding for the period end	118	89
AREC - Series A Preferred stock: $.0001 par value; 4,817,792 shares authorized, 4,817,792 shares issued and outstanding	482	482
AREC - Series B Preferred stock: $.001 par value; 20,000,000 shares authorized, 850,000 shares issued and outstanding	850	850
Additional paid-in capital	19,816,567	1,527,254
Accumulated deficit	(50,265,183)	(42,019,595)
Total American Resources Corporation's Shareholders' Deficit	(30,447,166)	(40,490,920)
Non controlling interest	-	397,856
Total Stockholders' Deficit	(30,447,166)	(40,093,064)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 20,058,236	$ 18,263,385

The accompanying footnotes are integral to the unaudited consolidated financial statements

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AMERICAN RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED
For the Three and Nine Months Ended September 30, 2018 and 2017

	3-Month September 30, 2018	3-Month September 30, 2017	9-Month September 30, 2018	9-Month September 30, 2017
Coal Sales	$ 8,890,322	$ 4,192,244	$ 23,219,222	$ 13,770,183
Processing Services Income	147,946	159,724	167,462	1,563,864
Total Revenue	9,038,268	4,351,968	23,386,684	15,334,047
Cost of Coal Sales and Processing	(6,690,698)	(2,797,140)	(16,783,801)	(12,307,399)
Accretion Expense	(539,771)	(339,288)	(1,435,295)	(1,181,055)
Loss on settlement	-	(30,055)	-	(281,907)
Depreciation	(649,983)	(697,214)	(1,779,539)	(1,856,442)
Amortization of mining rights	(181,385)	-	(181,385)	-
General and Administrative	(1,142,522)	(26,940)	(2,175,794)	(189,604)
Professional Fees	(784,922)	(144,712)	(1,222,937)	(565,995)
Production Taxes and Royalties	(1,041,667)	(865,950)	(2,769,584)	(3,464,611)
Development Costs	(2,188,833)	(1,035,286)	(5,908,207)	(4,172,759)
Total Expenses from Operations	(13,219,781)	(5,936,585)	(32,256,542)	(24,019,772)
Net Loss from Operations	(4,181,513)	(1,584,617)	(8,869,858)	(8,685,725)
Other Income	875,942	67,844	1,295,065	309,418
Gain on cancelation of debt	-	-	315,000	-
Receipt of previously impaired receivable	-	117,657	92,573	241,574

Interest Income	-	-	41,171	-
Interest expense	(305,655)	(342,683)	(864,104)	(567,970)
Net Loss	(3,611,226)	(1,741,799)	(7,990,153)	(8,702,703)
Less: Series B dividend requirement	(17,000)	-	(104,157)	-
Less: Net income attributable to Non Controlling Interest	-	(67,844)	(151,278)	(309,418)
Net loss attributable to American Resources Corporation Shareholders	$ (3,628,226)	$ (1,809,643)	$ (8,245,588)	$ (9,012,121)
Net loss per share - basic and diluted	$ (2.49)	$ (2.03)	$ (8.76)	$ (11.87)
Weighted average shares outstanding	1,038,783	891,180	941,495	759,397

The accompanying footnotes are integral to the unaudited consolidated financial statements

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AMERICAN RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
For the 9 Months Ended September 30, 2018 and
For the 9 Months Ended September 30, 2017

	September 30, 2018	September 30, 2017
Cash Flows from Operating activities:		
Net loss	$ (7,990,153)	$ (8,702,703)
Adjustments to reconcile net income (loss) to net cash		
Depreciation	1,779,539	1,856,442
Amortization of mining rights	181,385	-
Accretion expense	1,435,295	1,181,055

Cancelation of debt	(315,000)	-
Loss on reclamation settlements	-	281,907
Assumption of note payable in reverse merger	-	50,000
Gain on disposition	(807,591)	-
Recovery of previously impaired receipts	(92,573)	(241,574)
Amortization of debt discount	420,134	284,406
Warrant expense	234,067	-
Option expense	13,410	-
Stock compensation expense	201,250	10,000
Change in current assets and liabilities:		
Accounts receivable	(930,478)	2,123,881
Inventory	188,371	-
Prepaid expenses and other assets	(147,826)	-
Accounts payable	973,057	2,824,351
Funds held for others	(19,061)	-
Due to affiliates	512,378	-
Accrued interest	287,639	90,000
Reclamation liability settlements	-	(709,132)
Cash used in operating activities	(4,076,157)	(951,367)
Cash Flows from Investing activities:		
Advances made in connection with management agreement	(99,582)	(75,000)
Advance repayment in connection with management agreement	222,304	469,645
Cash paid for PPE, net	(127,957)	(176,597)
Cash (used in) provided by investing activities	(5,235)	218,048
Cash Flows from Financing activities:		
Principal payments on long term debt	(2,064,902)	(318,576)
Proceeds from long term debt	5,316,977	1,670,000
Proceeds from related party	-	50,000
Net proceeds from (payments to) factoring agreement	787,434	(1,521,577)
Proceeds from sale of Series B Preferred Stock	-	600,000
Cash provided by financing activities	4,039,509	479,847
Decrease in cash and restricted cash	(41,883)	(253,472)
Cash and restricted cash, beginning of period	385,665	784,525
Cash and restricted cash, end of period	$ 343,782	$ 531,053
Supplemental Information		
Non-cash investing and financing activities		
Assumption of net assets and liabilities for asset acquisitions	$ 2,217,952	$ -
Equipment for notes payable	$ 906,660	$ 1,222,500
Purchase of related party note receivable in exchange for Series B Equity	$ -	$ 250,000
Preferred Series B dividends	$ 104,157	$ -
Conversion of note payable to common stock	$ -	$ 50,000
Beneficial conversion feature on note payable	$ -	$ 50,000
Forgiveness of accrued management fee	$ 17,840,615	$ -
Relative fair value debt discount on warrant issue	$ -	$ 300,000
Cash paid for interest	$ 156,331	$ 193,564
Cash paid for income taxes	$ -	$ -

The accompanying footnotes are integral to the unaudited consolidated financial statements

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AMERICAN RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

American Resources Corporation (ARC or the Company) operates through subsidiaries that were acquired in 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 for the nine months ended September 30, 2018 and 2017 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) and Knott County Coal LLC (KCC). All significant intercompany accounts and transactions have been eliminated.

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.

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.

The accompanying Consolidated Financial Statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”)

Interim Financial Information

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. In the opinion of management, these interim unaudited Consolidated Financial Statements reflect all normal and recurring adjustments necessary for a fair presentation of the results for the periods presented. Results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or any other period. These financial statements should be read in conjunction with the Company’s 2017 audited financial statements and notes thereto which were filed on Form 10K on April 23, 2018.

Going Concern: The Company has suffered recurring losses from operations and currently has 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.

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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 as a component of other income/expense in the accompanying Consolidated Statements of Operations.

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 September 30, 2018 and December 31, 2017 was $73,730 and $116,115, respectively. A lender of the Company also required a reserve account to be established. The balance as of September 30, 2018 and December 31, 2017 was $148,546 and $0, respectively. The total balance of restricted cash also includes amounts held under the management agreement in the amount of $63,767 and $82,828, respectively. See note 5 for terms of the management agreement.

The balance as of September 30, 2018 and December 31, 2017 was $286,043 and $198,943, 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 nine months ended September 30, 2018 and September 30, 2017.

	September 30, 2018	**September 30, 2017**
Cash	$ 57,739	$ 342,041
Restricted Cash	286,043	189,012
Total cash and restricted cash presented in the consolidated statement of cash flows	$ 343,782	$ 531,053

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Asset Acquisitions:

On April 21, 2018, McCoy acquired certain assets known as the Point Rock Mine (Point Rock) in exchange for assuming certain liabilities of the seller. The fair values of the liabilities assumed were $53,771 for prior vendors and $2,098,052 for asset retirement obligation totaling $2,151,823. 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 3 months ended September 30, 2018 and 2017 amounted to $179,318 and $0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value.

The assets acquired of Point Rock 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 Point Rock were as follows at the purchase date:

Assets	
Mining Rights	$ 2,151,823
Liabilities	
Vendor Payables	$ 53,771
Asset Retirement Obligation	$ 2,098,052

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 3 months ended September 30, 2018 and 2017 amounted to $2,067 and $0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value.

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

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 using the units-of-production method over estimated recoverable (proved and probable) reserves. We are using a discount rate of 10%. 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 the periods ending September 30, 2018 and 2017, $0 and $281,907 were incurred for loss on settlement on ARO, respectively.

The table below reflects the changes to our ARO:

Balance at December 31, 2017	$ 19,885,057
Accretion – nine months September 30, 2018	1,435,295
Reclamation work – nine months September 30, 2018	(0)
Asset disposition	(919,158)
Point Rock Acquisition	2,098,052
Wayland Acquisition	66,129
Balance at September 30, 2018	$ 22,565,375

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 September 30, 2018 and December 31, 2017 amounted to $0, for both periods. Allowance for other accounts receivables as of September 30, 2018 and December 31, 2017 amounted to $0 and $92,573, respectively.

Trade and loan receivables are carried at amortized cost, net of allowance for losses. Amortized cost approximated book value as of September 30, 2018 and December 31, 2017.

Reclassifications: Reclassifications of prior periods have been made to conform with current year presentation.

New Accounting Pronouncements:

- ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* , effective for years beginning after December 15, 2017. ASU 2016-01 was adopted on January 1, 2018 and the standard did not have a material effect on the consolidated financial statements or related disclosures
- ASU 2016-02, *Leases*, effective for years beginning after December 15, 2019. We expect to adopt ASU 2016-02 beginning January 1, 2019 and are in the process of assessing the impact that this new guidance is expected to have on our consolidated financial statements and related disclosures.
- ASU 2017-09, *Compensation – Stock Compensation,* effective beginning after December 31, 2017. ASU 2017-09 was adopted on January 1, 2018 and the standard did not have a material effect on the consolidated financial statements or related disclosures
- ASU 2017-11, *Earnings Per Share,* effective beginning after December 15, 2018. We expect to adopt ASU 2017-11 beginning January 1, 2019 and are in the process of assessing the impact that this new guidance is expected to have on our consolidated financial statements and related disclosures.
- ASU 2018-05, *Income Taxes,* effective beginning after December 15, 2017, was adopted on January 1, 2018 with no effect on our consolidated financial statements and related disclosures.
- ASU 2018-07, *Compensation-Stock Compensation (Topic 718),* effective beginning after December 15, 2018 was adopted on July 1, 2018 and the standard did not have a material effect on the consolidated financial statements or related disclosures.

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Management has elected to early adopt ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* effective at inception.

ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230).* Topic 230 addressed how restricted cash was presented in the statement of cash flows. We adopted Topic 230 as of January 1, 2018 resulting in modifications as to the manner in which restricted cash transactions are presented in the statement of cash flows.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* Topic 606 supersedes the revenue recognition requirements in Topic 605 and requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company's primary source of revenue is from the sale of coal through both short-term and long-term contracts with utilities, industrial customers and steel producers whereby revenue is currently recognized when risk of loss has passed to the customer. During the fourth quarter of 2017, the Company finalized its assessment related to the new standard by analyzing certain contracts representative of the majority of the Company's coal sales and determined that the timing of revenue recognition related to the Company's coal sales will remain consistent between the new standard and the previous standard. The Company also reviewed other sources of revenue, and concluded the current basis of accounting for these items is in accordance with the new standard. The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective method, and there was no cumulative adjustment to retained earnings.

NOTE 2 - PROPERTY AND EQUIPMENT

At September 30, 2018 and December 31, 2017, property and equipment were comprised of the following:

	September 30, 2018	December 31, 2017
Processing and rail facility	$ 2,802,855	$ 2,914,422
Underground equipment	9,346,692	8,887,045
Surface equipment	4,532,724	3,957,603
Mining rights (Less: accumulated amortization of $181,385)	2,036,567	-
Land	-	178,683
Less: Accumulated depreciation	(6,600,108)	(4,820,569)
Total Property and Equipment, Net	$ 12,118,730	$ 11,117,184

Depreciation expense amounted to $649,983 and $697,214 for the three month periods September 30, 2018 and September 30, 2017, respectively. Depreciation expense amounted to $1,779,539 and $1,856,442 for the nine month periods September 30, 2018 and September 30, 2017, respectively.

The estimated useful lives are as follows:

Processing and Rail Facilities	20 years
Surface Equipment	7 years
Underground Equipment	5 years

Mining Rights	5 years

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NOTE 3 - NOTES PAYABLE

The net increase in debt includes the following:

Total debt balance as of December 31, 2017	$	14,726,842
During the nine-month period ended September 30, 2018, $2,450 ,000 was drawn from the ARC business loan which carries annual interest at 7%, is due within two months of advancement and is secure by all company assets. On June 4, 2018, $30,000 and September 28, 2018, $75,000 of this note was repaid.		2,450,000
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.		346,660
On March 28, 2018, QEI entered into an equipment loan agreement with an unrelated party in the amount of $135,000. The agreement called for payments of $75,000 and $60,000 are due on April 6, 2018 and April 13, 2018, respectively, at which date the note was repaid in full. Loan proceeds were used directly to purchase equipment.		135,000
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.		1,000,000
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 33% 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.		2,963,958
During the nine-month period ended September 30, 2018 net additions to the factoring agreement totaled $787,435.		787,435
Total increases to debt		7,683,053
Less cash payments		(2,064,902)
In May 2018, an unrelated party forgave $315,000 of the $540,000 equipment loan agreement dated September 30, 2016.		(315,000)
Issuance discount		(752,535)
Amortization of issuance cost and loan discounts		420,134
Ending debt balance at September 30, 2018	$	19,697,592
Less current portion:	$	14,625,099
Total long term debt at September 30, 2018	$	5,072,493

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NOTE 4 - RELATED PARTY TRANSACTIONS

On June 12, 2015, the Company executed a consulting agreement with an entity with common ownership. No fees or repayments have occurred during the nine-month period September 30, 2018 and 2017, respectively.

The amount outstanding and payable as of September 30, 2018 and December 31, 2017, was $0 and $17,840,615, respectively. The amount was due on demand and did 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.

On April 30, 2017, the Company purchased $250,000 of secured debt that had been owed to a third 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.

During the three month period ended September 30, 2018, the Company incurred royalty expense in the amount of $64,537 to a related entity formally consolidated as a variable interest entity. As of September 30, 2018 the company owed the related entity a total of $512,378 for unpaid royalties and advances.

NOTE 5 – 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. Under the management agreement, net funds advanced for the nine-month period ended September 30, 2018 and 2017 are $99,582 and $75,000, respectively and the amounts repaid totaled $127,957 and $394,645, respectively. During the nine-month period ended September 30, 2018 and 2017, fees paid under the agreement amounted $313,114 and $0, respectively which has been recorded in other income.

NOTE 6 – EQUITY TRANSACTIONS

On July 18, 2018, we 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. The Company fully recognized $165,000 of stock based compensation for the nine months September 30, 2018.

On September 12, 2018, pursuant to the Company’s Employee Incentive Stock Option Plan, we issued a total of 636,830 options to certain employees. 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. The fair value of the options is $482,751. The Company recognized $13,410 as option expense for the nine months September 30, 2018. The unamortized expense at September 30, 2018 is $469,342.

On September 14, 2018, we issued 105,000 common shares valued at $152,250 and 175,000 warrants to Redstone Communications LLC and 45,000 common shares valued at $65,250 and 75,000 warrants 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. The warrants fair value was determined to be $234,067. The warrants granted are non-refundable and vest immediately and have an expiration date of September 14, 2023. Stock based compensation of $36,205 for the common shares issued and $234,067 for the warrant granted was expensed during the nine months September 30, 2018. As of September 30, 2018 the unamortized expense for the common shares issued is $181,250.

Total preferred dividend requirement for the nine-month period ending September 30, 2018 and 2017 amounted to $104,157 and $0, respectively.

Total stock, warrant and option compensation expense for the nine-month period ending September 30, 2018 and 2017 amounted to $448,727 and $0, respectively.

The price of the above stock, warrants and options were determined using the closing stock price at the date of the grant and the Black-Sholes Option Pricing Model.

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	9/30/2018
Expected Dividend Yield	0%
Expected volatility	120%
Risk-free rate	1.4%
Expected life of warrants	3-7 Years

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding - December 31, 2017	5,364,230	$ 2.638	2.835	$ 138,069
Exercisable - December 31, 2017	5,364,230	$ 2.638	2.835	$ 138,069
Granted	886,830	$ 1.000	6.388	$ 5,386,975
Forfeited or Expired	-	-	-	-
Exercised	-	$ -	-	-
Outstanding - September 30, 2018	6,251,060	$ 2.432	2.474	$ 31,556,641

Exercisable - September 30, 2018	5,639,230	$ 2.590	1.982	$	27,836,687

NOTE 7 - CONTINGENCIES

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.

Under the agreement with Redstone Communications LLC and Mr. Marlin Molinaro, the Company is obligated to pay a monthly fee of $25,000 and a quarterly stock fee of 150,000 shares of common stock over the agreement's one year term.

NOTE 8 - SUBSEQUENT EVENTS

During October 2018, an officer of the company advanced an additional $13,500. The advance is non-interest bearing, non-secured and due on demand.

On October 25, 2018, Wyoming County Coal LLC was formed as a wholly owned subsidiary of Quest Energy Inc.

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. Management is still gathering the information needed to complete the allocation of the purchase price to the assets acquired and liabilities assumed.

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

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 under the terms of the agreement.

On November 7, 2018, 964,290 Series B preferred shares 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.

On November 13, 2018, $300,000 was advanced under the ARC business loan which carries annual interest at 7%, is due within two months of advancement and is secure by all company assets.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q and other reports filed by Registrant from time to time with the Securities and Exchange Commission (collectively the "Filings") contain or may contain forward looking statements and information that are based upon beliefs of, and information currently available to, Registrant's management as well as estimates and assumptions made by Registrant's management. When used in the filings the words "anticipate", "believe", "estimate", "expect", "future", "intend", "plan" or the negative of these terms and similar expressions as they relate to Registrant or Registrant's management identify forward looking statements. Such statements reflect the current view of Registrant with respect to future events and are subject to risks, uncertainties, assumptions and other factors relating to Registrant's industry, Registrant's operations and results of operations and any businesses that may be acquired by Registrant. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Although Registrant believes that the expectations reflected in the forward-looking statements are reasonable, Registrant cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, Registrant does not intend to update any of the forward-looking statements to conform these statements to actual results.

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) 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 five 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 Quest Processing LLC (Quest Processing) located in eastern Kentucky within the Central Appalachian coal basin, and ERC Mining Indiana Corporation (ERC) located in southwest Indiana within the Illinois coal basin. The coal reserves under control by the Company are generally comprised 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.

McCoy Elkhorn Coal LLC

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, and high-grade thermal coal to utilities.

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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. 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.

The Carnegie 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 Mine commenced and then subsequently the mine was idled. Production at the Carnegie 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 Mine is currently operated as a contractor mine.

The PointRock Mine is surface mine in a variety of coal seams, primarily in the Pond Creek, the Lower Alma, the Upper Alma, and Cedar Grove coal seams and located near Phelps, Kentucky. Coal has been produced from the PointRock Mine in the past under different operators. Quest Energy acquired the PointRock Mine in April 2018 and is currently performing reclamation work in advance of re-starting production, which is expected in later 2018. PointRock is anticipated to be mined via contour, auger, and highwall mining techniques. The coal will be stockpiled on-site and trucked approximately 23 miles to McCoy Elkhorn's preparation facilities. The PointRock Mine is anticipated to be operated as a modified contractor mine, whereby McCoy Elkhorn provides certain mining infrastructure and equipment for the operations and pays a contractor a fixed per-ton fee for managing the workforce, procuring other equipment and supplies, and maintaining the equipment and infrastructure in proper working order.

There are two coal preparation facilities at McCoy Elkhorn: the Bevins #1 Preparation Plant, an 800 ton-per hour coal preparation facility, and the Bevins #2 Preparation Plant, located on the same permit site as Bevins #1, and a 500 ton-per-hour processing facility. Both coal preparation plants have fine coal recovery and a stoker circuits for enhanced coal recovery and coal sizing options.

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 Impoundments.

Knott County Coal LLC

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 17 idled mining permits (or permits in reclamation) and permits for two preparation facilities: the Supreme Energy Preparation Plant and the Raven Preparation Plant, both of which are also idled. The idled mining permits are either in various stages of reclamation or being maintained as idled, pending any changes to the coal market that may warrant reinitiating production. The idled mines at Knott County Coal are primarily underground mines that utilize room-and-pillar mining.

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.

The idled Supreme Energy Preparation Plant is a 450 ton-per-hour coal preparation facility located in Kite, Kentucky. The Bates Branch rail loadout associated with the Supreme Energy Preparation Plant is a batch-weigh rail loadout with 110 rail car storage capacity and serviced by CSX Transportation in their Big Sandy rate district. The Supreme Energy Preparation Plant has a coarse refuse and slurry impoundment called the King Branch Impoundment.

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Deane Mining LLC

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.

Access Energy is an underground mine in the Elkhorn #3 coal seam and located near Deane, Kentucky. Access Energy is mined via room-and-pillar mining methods using a continuous miner, and the coal is belted directly from the mine to Deane Mining’s coal preparation facility. Access Energy is currently a contractor mine, whereby the Company owns the equipment, infrastructure, and permits at Access Energy and employs a contractor to manage and pay for the workforce and supplies at the mine for a per-ton fee. The coal from Access Energy is stockpiled at the preparation plant site. Production at Access Energy re-commenced under Quest Energy’s ownership in September 2017.

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 will be trucked approximately one mile to the Mill Creek Preparation Plant.

The Mill Creek Preparation Plant is an 800 ton-per hour coal preparation facility with 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 both CSX’s Big Sandy rate district and CSX’s Elkhorn rate district. The Mill Creek Preparation Plant has a coarse refuse and slurry impoundment called Razorblade Impoundment.

Quest Processing LLC

Quest Energy’s wholly-owned subsidiary, Quest Processing LLC, 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), the Raven 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 Quest MGMT 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 September 30, 2018.

ERC Mining Indiana Corporation (the Gold Star Mine)

Quest Energy, through its wholly-owned subsidiary, ERC Mining Indiana Corporation (“ERC”), has a management agreement with an unrelated entity, LC Energy Operations LLC to manage an underground coal mine, clean coal processing facility and rail loadout located in Greene County, Indiana (referred to as the “Gold Star Mine”) for a monthly cash and per-ton fee. As part of that management agreement, ERC manages the operations of the Gold Star Mine, is the holder of the mining permit, provides the reclamation bonding, is the owner of some of the equipment located at the Gold Star Mine, and provides the employment for the personnel located at the Gold Star Mine. LC Energy Operations LLC owns the remaining equipment and infrastructure, is the lessee of the mineral (and the owner of some of the mineral and surface), and provides funding for the operations. Currently the coal mining operations at the Gold Star Mine are idled.

In addition to the current owned permits and controlled reserves, ARC may, from time to time, and frequently, acquire additional coal mining permits or reserves, or dispose of coal mining permits or reserves currently held by ARC, as management of the Company deems appropriate.

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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 Elk Horn Coal Company LLC and Penn Virginia Operating Company, LLC. 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, McCoy Elkhorn's Carnegie Mine, and Deane Mining's Access Energy Mine.

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.

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 Alpha Natural Resources, Ramaco Resources, Blackhawk Mining, Coronado Coal, Arch Coal, Contura Energy, Warrior Met Coal, Alliance Resource Partners, and ERP Compliance Fuels. Many of these coal producers may have greater financial resources and larger reserve 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 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. We are not currently a party to, and our property is not subject to, any material legal proceedings.

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, greenhouse gas 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.

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.

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.

Due to the large number of mining permits held by the Company that have been previously mined and operated, there is a significant amount of environmental reclamation and remediation required by the Company to comply with local, state, and federal regulations for coal mining companies.

Further discussion regarding the required environmental remediation of the Company and associated risks to the Company are discussed in the Risk Factors section.

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 expires in December 2018. We also rent office space from Land Resources & Royalties LLC 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 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.

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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 is primarily run by company employees, McCoy Elkhorn's Carnegie 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 221 employees, with a substantial majority based in eastern Kentucky. The Company is headquartered in Fishers, Indiana with six members of the Company's executive team based at this location.

Results of Operations

Our consolidated operations had operating revenues of $9,038,269 and $23,386,684 for the three-months and nine-months ended September 30, 2018 and $4,351,968 and $15,334,047 operating revenue for the three-months and nine-months ended September 30, 2017.

For the three-months and nine-months ended September 30, 2018 we have incurred net loss attributable to American Resources Corporation shareholders in the amount of $3,628,226 and $8,245,588. For the three-months and nine-months ended September 30, 2017 we have incurred net loss attributable to American Resources Corporation shareholders in the amount of $1,809,643 and $9,012,121.

The primary driver for increased revenue was the commencement of underground mining operations at the Access Energy Mine in September 2017 along with more production from McCoy's Mine #15 and Carnegie mine. The primary driver for decreased net loss was an increased gross margin during 2018 and higher revenue volume. Additionally, more coal was sold into the export market lowering the taxes paid on customer sales.

From our inception to-date our activities have been primarily financed from the proceeds of our acquisitions, Series B equity investments and loans.

For the three months ended September 30, 2018 and 2017, coal sales and processing expenses were $6,690,698 and $2,797,140 respectively, development costs, including loss on settlement of ARO were $2,188,833 and $1,035,286, respectively, and production taxes and royalties $1,041,667 and $865,950, respectively. Depreciation expense for the same periods ended September 30, 2018 and 2017 were $649,983 and $697,214 respectively.

For the nine months ended September, 2018 and 2017, coal sales and processing expenses were $16,783,801 and $12,307,399 respectively, development costs, including loss on settlement of ARO were $5,908,207 and $4,172,759, respectively, and production taxes and royalties $2,769,584 and $3,464,611, respectively. Depreciation expense for the same periods ended September 30, 2018 and 2017 were $1,779,539 and $1,856,442 respectively.

Liquidity and Capital Resources

As of September 30, 2018, our available cash was $343,782. We expect to fund our liquidity requirements with cash on hand, future borrowings and cash flow from operations. If future cash flows are insufficient to meet our liquidity needs or capital requirements, we may reduce our mine development and/or fund a portion of our expenditures through issuance of debt or equity securities, the entry into debt arrangements for from other sources, such as asset sales.

For the nine months ending September 30, 2018 our net cash flow used in operating activities was $4,076,157 and for the nine months ending September 30, 2017 the net cash flow used in operating activities was $951,367.

For the nine months ending September 30, 2018 and 2017 our net cash flows used in investing activities were $5,235 and provided by investing activities $218,048 respectively.

For the nine months ending September 30, 2018 and 2017 net cash proceeds from financing activities were $4,039,509 and $479,847, respectively.

As a public company, we will be subject to certain reporting and other compliance requirements of a publicly reporting company. We will be subject to certain costs for such compliance which private companies may not choose to make. We have identified such costs as being primarily for audits, legal services, filing expenses, financial and reporting controls and shareholder communications and estimate the cost to be approximately $10,000 monthly if the activities of our Company remain somewhat the same for the next few months. We have included such costs in our monthly cash flow needs and expect to pay such costs from a combination of cash from operations.

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Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that we are required to disclose pursuant to these regulations. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles in the United States.

Critical Accounting Policies

The preparation of financial statements requires management to utilize estimates and make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The estimates are evaluated by management on an ongoing basis, and the results of these evaluations form a basis for making decisions about the carrying value of assets and liabilities that are not readily apparent from other sources. Although actual results may differ from these estimates under different assumptions or conditions, management believes that the estimates used in the preparation of our financial statements are reasonable. The critical accounting policies affecting our financial reporting are summarized in Note1 to the financial statements included elsewhere in this report.

Recent Accounting Pronouncements

Management has elected to early adopt ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* effective at inception.

ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230).* Topic 230 addressed how restricted cash was presented in the statement of cash flows. We adopted Topic 230 as of January 1, 2018 resulting modifications as to the manner in which restricted cash transactions are presented in the statement of cash flows.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* Topic 606 supersedes the revenue recognition requirements in Topic 605 and requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company's primary source of revenue is from the sale of coal through both short-term and long-term contracts with utilities, industrial customers and steel producers whereby revenue is currently recognized when risk of loss has passed to the customer. During the fourth quarter of 2017, the Company finalized its assessment related to the new standard by analyzing certain contracts representative of the majority of the Company's coal sales and determined that the timing of revenue recognition related to the Company's coal sales will remain consistent between the new standard and the previous standard. The Company also reviewed other sources of revenue, and concluded the current basis of accounting for these items is in accordance with the new standard. The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective method, and there was no cumulative adjustment to retained earnings.

ASU 2018-07, *Compensation-Stock Compensation (Topic 718),* effective beginning after December 15, 2018 was adopted on July 1, 2018 and the standard did not have a material effect on the consolidated financial statements or related disclosures.

Information regarding adoption of additional accounting pronouncements adopted are included in footnote 1 of the consolidated financial statement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Because we are a smaller reporting company we are not required to include any disclosure under this item.

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Item 4. Controls and Procedures

(a) Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief 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 U.S. generally accepted accounting principles.

As of September 30, 2018, 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 Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934.

Based upon our evaluation, as of September 30, 2018, the Company's management, including its Chief Executive Officer and Chief Financial Officer, has concluded that its disclosure controls and procedures were not effective due to the Company's insufficient number of staff performing accounting and reporting functions and lack of timely reconciliations. Through the use of external consultants and the review process, management believes that the financial statements and other information presented herewith are materially correct.

The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, the Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures 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 a 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.

(b) Changes in Internal Controls.

There have been no changes in the Company's internal control over financial reporting during the period ended September 30, 2018 that have materially affected the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 5, 2017, the Company issued 13,333 common shares and warrants to purchase 33,333 shares to an unrelated consulting company.

On July 18, 2018, we issued 150,000 restricted common shares 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 12, 2018, pursuant to the Company's Employee Incentive Stock Option Plan, we issued a total of 636,830 options to certain employees. 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.

On September 14, 2018, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares 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.

The shares of our 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 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 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. Proceeds from sales were utilized for working capital.

Item 3. Defaults upon Senior Securities

None.

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 Quarterly Report.

Item 5. Other Information

None.

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Item 6. Exhibits

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 No.	Description
3.1	Articles of Incorporation of Natural Gas Fueling and Conversion Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1, filed on November 27, 2013)
3.2	Amended and Restated Articles of Incorporation of NGFC Equities Inc. (filed as Exhibit 3.1 to the Company's Form 8-K filed on February 25, 2015).
3.3	Articles of Amendment to Articles of Incorporation of NGFC Equities, Inc. (filed as 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 (filed as Exhibit 3.4 to the Company's Form 10-Q, filed on February 20, 2018.
3.5	Bylaws of Natural Gas Fueling and Conversion Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1, filed on November 27, 2013).
3.6	ByLaws, of NGFC Equities Inc., as amended and restated (filed as Exhibit 3.2 to the Company's Form 8-K filed on February 25, 2015).
3.7	Articles of Amendment to Articles of Incorporation of American Resource Corporation (filed as Exhibit 99.1 to the Company's to the Company's Form 8-K filed on November 12, 2018).
3.8	Bylaws of American Resource Corporation (filed as Exhibit 99.2 to the Company's to the Company's Form 8-K filed on November 12, 2018).
14.1	Code of Business Conduct and Ethics (filed as Exhibit 14.1 to the Company's Registration Statement on Form S-1, filed on November 27, 2013).
14.2	Code of Conduct of American Resource Corporation (filed as Exhibit 99.3 to the Company's to the Company's Form 8-K filed on November 12, 2018).
14.3	Financial Code of Ethics of American Resource Corporation (filed as Exhibit 99.4 to the Company's to the Company's Form 8-K filed on November 12, 2018).
31.1	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
31.2	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
32.1	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.
95	Exhibit 95 – Mine Safety Disclosure pursuant to Regulation S-K, Item 104 filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements 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

Date: November 14, 2018	By:	*/s/ Mark C. Jensen*
	Name:	Mark C. Jensen
	Title:	CEO, Chairman of the Board
		(Principal Executive Officer)

EXHIBIT 31.1

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 quarterly report on Form 10-Q 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.

Date: November 14, 2018

AMERICAN RESOURCES CORPORATION

/s/: Mark C. Jensen
Mark C. Jensen,
Chief Executive Officer
Principal Executive Officer

EXHIBIT 31.2

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 quarterly report on Form 10-Q 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.

Date: November 14, 2018

AMERICAN RESOURCES CORPORATION

/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 Quarterly Report of American Resources Corporation, (the "Company") on Form 10-Q for the period ending September 30, 2018 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

/s/: Mark C. Jensen
Mark C. Jensen,
Chief Executive Officer
Principal Executive Officer

November 14, 2018

EXHIBIT 32.2

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

In connection with the Quarterly Report of American Resources Corporation (the "Company") on Form 10-Q for the period ending September 30, 2018 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

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

November 14, 2018