# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## American Resources Corp

### Form: 10-Q

### Date Filed: 2019-05-16

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: **March 31, 2019**

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 ☑

Securities registered pursuant to Section 12(b) of the Act:

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

As of May 15, 2019, the registrant had 23,316,197 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 ended
March 31, 2019

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 7 | $ 2,293,107 |
| Accounts Receivable | 624,045 | 1,318,680 |
| Inventory | 738,054 | 163,800 |
| Prepaid fees | 483,000 | 147,826 |
| Accounts Receivable - Other | 292,608 | 319,548 |
| Total Current Assets | 2,137,714 | 4,262,961 |
| | | |
| **OTHER ASSETS** | | |
| Cash - restricted | 471,640 | 411,692 |
| Processing and rail facility | 11,630,171 | 11,630,171 |
| Underground equipment | 9,438,673 | 8,717,229 |
| Surface equipment | 3,101,518 | 3,101,518 |
| Mine development | 40,307,068 | 14,907,068 |
| Less Accumulated Depreciation | (8,044,966) | (6,691,259) |
| Land | 2,407,193 | 907,193 |
| Note Receivable | 4,117,139 | 4,117,139 |
| Total Other Assets | 63,428,436 | 37,100,751 |
| | | |
| **TOTAL ASSETS** | $ 65,566,150 | $ 41,363,712 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 6,248,566 | $ 8,139,662 |
| Accounts payable – related party | 579,123 | 474,654 |
| Accrued interest | 1,312,562 | 1,118,736 |
| Funds held for others | 139,864 | 79,662 |
| Due to affiliate | 124,000 | 124,000 |
| Current portion of long term-debt (net of unamortized discount of $- and $134,296) | 14,934,884 | 14,169,139 |
| Current portion of reclamation liability | 2,327,169 | 2,327,169 |
| Total Current Liabilities | 25,666,168 | 26,433,022 |

| | | |
|---|---|---|
| **OTHER LIABILITIES** | | |
| Long-term portion of note payable (net of issuance costs of $425,820 and $428,699) | 9,803,829 | 7,918,872 |
| Reclamation liability | 16,532,541 | 16,211,640 |
| Total Other Liabilities | 26,336,370 | 24,130,512 |
| | | |
| Total Liabilities | 52,002,538 | 50,563,534 |
| | | |
| **STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| AREC - Class A Common stock: $.0001 par value; 230,000,000 shares authorized, 23,316,197 and 17,763,469 shares issued and outstanding | 2,331 | 1,776 |
| AREC - Series A Preferred stock: $.0001 par value; 5,000,000 shares authorized, 0 and 481,780 shares issued and outstanding | - | 48 |
| AREC - Series C Preferred stock: $.0001 par value; 20,000,000 shares authorized, 0 and 50,000 shares issued and outstanding | - | 5 |
| Additional paid-in capital | 75,742,084 | 42,913,532 |
| Accumulated deficit | (62,180,803) | (52,115,183) |
| Total Stockholders' Equity (Deficit) | 13,563,612 | (9,199,822) |
| | | |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | $ 65,566,150 | $ 41,363,712 |

*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 months ended March 31, 2019 | For the three months ended March 31, 2018 |
|---|---|---|
| Coal Sales | $ 6,994,276 | $ 7,305,860 |
| Processing Services Income | - | 19,516 |
| | | |
| Total Revenue | 6,994,276 | 7,325,376 |
| | | |
| Cost of Coal Sales and Processing | (6,644,087) | (5,473,428) |
| Accretion Expense | (321,701) | (341,581) |
| Depreciation | (816,916) | (615,389) |
| Amortization of Mining Rights | (536,791) | - |
| General and Administrative | (1,372,588) | (476,589) |
| Professional Fees | (4,333,896) | (274,603) |
| Production Taxes and Royalties | (1,259,586) | (949,793) |
| Development Costs | (1,600,117) | (1,687,173) |

| | | |
|---|---|---|
| Total Operating expenses | (16,885,682) | (9,818,556) |
| | | |
| Net Loss from Operations | (9,891,406) | (2,493,180) |
| | | |
| Other Income and (expense) | | |
| Loss on payable settlement | (22,660) | - |
| Other Income | 266,425 | 128,514 |
| Amortization of debt discount and debt issuance costs | (134,296) | - |
| Interest Income | 41,171 | 41,171 |
| Interest expense | (324,854) | (247,154) |
| Total Other income (expense) | (174,214) | (77,469) |
| | | |
| Net Loss | (10,065,620) | (2,570,649) |
| | | |
| Less: Series B dividend requirement | - | (70,157) |
| | | |
| Less: Net income attributable to Non Controlling Interest | - | (128,514) |
| | | |
| Net loss attributable to American Resources Corp. Shareholders | $ (10,065,620) | $ (2,769,320) |
| | | |
| Net loss per common share - basic and diluted | $ (0.48) | $ (2.96) |
| | | |
| Weighted average common shares outstanding- basic and diluted | 20,798,065 | 892,044 |

*The accompanying footnotes are integral to the unaudited consolidated financial statements*

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**AMERICAN RESOURCES CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**
**FOR THE PERIOD FROM JANAURY 1, 2019 THROUGH MARCH 31, 2019 AND JANAURY 1, 2018 THROUGH MARCH 31, 2018**
**UNAUDITED**

| | Common shares | | Preferred Series A | | Preferred Series B | | Preferred Series C | | Additional Paid- In | Accumulated Deficit | Non controlling | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Shares | Par Value | Shares | Par Value | Capital | Accumulated | Interest | Total |
| **Balance December 31, 2018** | **17,763,469** | **$ 1,776** | **481,780** | **$ 48** | **-** | **$ -** | **50,000** | **$ 5** | **$ 42,913,532** | **$ (52,115,183)** | **$ -** | **$ (9,199,822)** |
| Issuance of common shares for cash, net | 1,170,200 | 117 | - | - | - | - | - | - | 4,253,883 | - | - | 4,254,000 |
| Issuance of common shares for services | 159,000 | 16 | - | - | - | - | - | - | 1,672,184 | - | - | 1,672,200 |
| 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 | 4,417 | - | - | - | - | - | - | - | 49,161 | - | - | 49,161 |
| Issuance of warrants to consultants | - | - | - | - | - | - | - | - | 2,385,000 | - | - | 2,385,000 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stock option expense | - | - | - | - | - | - | - | - | 68,693 | - | - | 68,693 |
| Issuance of common Shares for warrant Exercise | 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 | - | - | - |
| Net loss | - | - | - | - | - | - | - | - | - | (10,065,620) | - | (10,065,620) |
| **Balance March 31, 2019** | **23,316,197** | **$ 2,331** | **-** | **$ -** | **-** | **$ -** | **-** | **$ -** | **75,742,084** | **$ (62,180,803)** | **-** | **$ 13,563,612** |
| **Balance, December 31, 2017** | **892,044** | **$ 89** | **4,817,792** | **$ 482** | **850,000** | **$ 850** | **-** | **$ -** | **$ 1,527,254** | **$ (39,091,757)** | **$ 397,856** | **(37,165,226)** |
| Series B preferred dividend requirement | - | - | - | - | - | - | - | - | - | (70,157) | - | (70,157) |
| Net loss | - | - | - | - | - | - | - | - | - | (2,699,163) | 128,514 | (2,570,649) |
| **Balance, March 31, 2018** | **892,044** | **$ 89** | **4,817,792** | **$ 482** | **850,000** | **$ 850** | **-** | **$ -** | **1,527,254** | **$(41,861,077)** | **526,370** | **$(39,806,032)** |

*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 three months ended March 31, 2019 | For the three months ended March 31, 2018 |
|---|---|---|
| **Cash Flows from Operating activities:** | | |
| Net loss | $ (10,065,620) | $ (2,570,649) |
| **Adjustments to reconcile net loss to net cash used in operating activities:** | | |
| Depreciation | 816,916 | 615,389 |
| Amortization of mining rights | 536,791 | - |
| Accretion expense | 321,701 | 341,581 |
| Warrant expense | 2,385,000 | - |
| Issuance of common shares for services | 1,672,200 | - |
| Stock compensation expense | 68,693 | - |
| Amortization of issuance costs and debt discount | 134,296 | 37,841 |
| Recovery of previously impaired receivable | (50,806) | (50,806) |
| **Change in current assets and liabilities:** | | |
| Accounts receivable | 792,381 | (399,047) |
| Prepaid expenses and other assets | (335,174) | (443,482) |
| Inventory | (574,254) | 297,974 |
| Funds held for others | 60,202 | (70,772) |

| | | |
|---|---|---|
| Accounts payable | (1,804,045) | 1,057,923 |
| Accounts payable – related party | 104,467 | - |
| Accrued interest | 193,826 | 124,763 |
| Cash used in operating activities | (5,743,426) | (1,059,285) |
| | | |
| **Cash Flows from Investing activities:** | | |
| | | |
| Advances made in connection with management agreement | - | (7,000) |
| Advance repayment in connection with management agreement | - | 79,219 |
| Cash paid for PPE, net | (721,444) | - |
| Cash provided by (used in) investing activities | (721,444) | 72,219 |
| | | |
| **Cash Flows from Financing activities:** | | |
| | | |
| Principal payments on long term debt | (1,373,024) | (191,517) |
| Proceeds from long term debt | 2,000,000 | 1,000,000 |
| Payments on factoring agreement, net | (649,258) | (112,290) |
| Proceeds from sale of common stock, net | 4,254,000 | - |
| Cash provided by financing activities | 4,231,718 | 696,193 |
| | | |
| Increase (decrease) in cash and restricted cash | (2,233,152) | (290,873) |
| | | |
| Cash and restricted cash, beginning of period | 2,704,799 | 385,665 |
| | | |
| **Cash and restricted cash, end of period** | $ 471,647 | $ 94,792 |
| | | |
| Supplemental Information | | |
| Non-cash investing and financing activities | | |
| | | |
| Equipment for notes payable | $ - | $ 481,660 |
| Preferred Series B Dividends | $ - | $ 70,157 |
| Shares issued in asset acquisition | $ 24,400,000 | $ - |
| Assumption of net assets and liabilities for asset acquisitions | $ 2,500,000 | $ - |
| Conversion of trade payable to equity | $ 49,161 | $ - |
| Cashless exercise of options into common shares | $ 60 | $ - |
| Conversion of Preferred Series A Shares to common shares | $ 161 | $ - |
| Conversion of Preferred Series C Shares to common shares | $ 1 | $ - |
| | | |
| Cash paid for interest | $ 131,028 | $ 66,672 |
| Cash paid for income taxes | $ - | $ - |

*The accompanying footnotes are integral to the unaudited consolidated financial statements*

**AMERICAN RESOURCES CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**

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

American Resources Corporation (ARC or the Company) was formed in June 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), Wyoming County Coal LLC (WCC), Knott County Coal LLC (KCC), Empire Kentucky Land, Inc and Colonial Coal Company, Inc. (Empire) All significant intercompany accounts and transactions have been eliminated.

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.

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 months ended March 31, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or any other period. These financial statements should be read in conjunction with the Company's 2018 audited financial statements and notes thereto which were filed on form 10-K on April 3, 2019.

***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.

***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.

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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.

***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 (See Note 3) 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 March 31, 2019 and December 31, 2018 was $57,992 and $85,786, respectively. The total balance of restricted cash also includes amounts held under the management agreement. See note 5.

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 three months ended March 31, 2019 and March 31, 2018:

| | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Cash | $ 7 | $ 9,006 |
| Restricted Cash | 471,640 | 85,786 |
| Total cash and restricted cash presented in the consolidated statement of cash flows | $ 471,647 | $ 94,792 |

***Asset Acquisition:***

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 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 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 3 months ended March 31, 2019 and 2018 amounted to $132,900 and $0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value.

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 | |
| Mine Development - Mining Rights | $ 25,400,000 |
| Land | 1,500,000 |
| Liabilities | |
| Seller Note | $ 2,500,000 |

***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 period ending March 31, 2019 and 2018, $- and $- were incurred for loss on settlement on ARO, respectively.

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The table below reflects the changes to our ARO:

| | |
|---|---|
| Balance at December 31, 2018 | $ 18,538,009 |
| Accretion – 3 months March 31, 2019 | 321,701 |
| Reclamation work – 3 months March 31, 2019 | - |
| Balance at March 31, 2019 | $ 18,859,710 |

***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 March 31, 2019 and December 31, 2018 amounted to $0, for both periods. Allowance for other accounts receivables as of March 31, 2019 and December 31, 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 March 31, 2019 and December 31, 2018.

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

**NOTE 2 - PROPERTY AND EQUIPMENT**

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Processing and rail facility | $ 11,630,171 | $ 11,630,171 |
| Underground equipment | 9,438,673 | 8,717,229 |
| Surface equipment | 3,101,518 | 3,101,518 |
| Mine Development | 40,307,068 | 14,907,068 |
| Land | 2,407,193 | 907,193 |
| Less: Accumulated depreciation | (8,044,966) | (6,691,259) |
| | | |
| Total Property and Equipment, Net | $ 58,839,657 | $ 32,571,920 |

Depreciation expense amounted to $816,916 and $615,389 for the periods March 31, 2019 and March 31, 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 | 5-25 years |

**NOTE 3 - NOTES PAYABLE**

During the three-month period ended March 31, 2019, principal payments on long term debt totaled $1,373,024. During the three-month period ended March 31, 2019, increases to long term debt totaled $4,500,000, primarily from cash received in the form of $2,000,000 from the ARC development loan and $2,500,000 from seller financing for the acquisition of Empire. The ARC development loan carries annual interest at 5%, is due on April 1, 2020 and is secured by all company assets. The acquisition loan 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.

During the three-month period ended March 31, 2018, principal payments on long term debt totaled $191,517. During the three-month period ended March 31, 2018, increases to long term debt totaled $1,481,660.

During the three-month period ended March 31, 2019 proceeds from the factoring agreement totaled $10,472,108, and repayments according to the factoring agreement totaled $11,121,366.

During the three-month period ended March 31, 2018 proceeds from the factoring agreement totaled $6,714,836 and repayments according to the factoring agreement totaled $6,827,126

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Company leases property from a related entity named Land Resources & Royalties (LRR). Until July 1, 2018, LRR was consolidated as a VIE resulting in transaction between the two companies to be eliminated upon consolidation. Upon deconsolidation, amounts paid and owed to LRR have been disclosed discreetly in the consolidated financial statements. For the three-month period ending March 31, 2019, royalty expense incurred with LRR amounted to $104,469 and amounts advanced from LRR amounted to $0 and amounts repaid to LRR amounted to $0. As of March 31, 2019, total amounts owed LRR amounted to $579,123.

**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 funds advanced for the three-month period ended March 31, 2019 and 2018 are $0 and $7,000, respectively and the amounts repaid totaled $0 and $79,219, respectively.

**NOTE 6 – EQUITY TRANSACTIONS**

There were no common or other Series A Preferred transactions for the three-month period ending March 31, 2018.

Employee stock compensation expense for the three-month period ending March 31, 2019 and 2018 amounted to $68,693 and $0 respectively.

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 received under the second six months of engagement, 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 299,714 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.

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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.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Expected Dividend Yield | 0% | 0% |
| Expected volatility | 87.97-109% | 13.73% |
| Risk-free rate | 2.40-2.33% | 1.47-1.62% |
| Expected life of warrants | 1.62-6.20 years | 2-3 years |

Company Warrants:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Contractual Life in Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Exercisable - December 31, 2017 | 5,364,230 | $ 2.638 | 2.8354 | $ 138,069 |
| Granted | - | - | - | - |
| Forfeited or Expired | - | - | - | - |
| Exercised | - | - | - | - |
| Outstanding - March 31, 2018 | 5,364,230 | $ 2.638 | 2.835 | $ 138,069 |
| Exercisable (Vested) - March 31, 2018 | 5,364,230 | $ 2.638 | 2.835 | $ 138,069 |
| | | | | |
| Exercisable (Vested) – December 31, 2018 | 5,545,227 | $ 2.745 | 1.704 | $ 42,063,228 |
| Granted | 330,500 | $ 2.206 | 4.106 | $ 1,026,255 |
| Forfeited or Expired | - | - | - | - |
| Exercised | 600,000 | $ 0.010 | 1.688 | $ 4,869,250 |
| Outstanding - March 31, 2019 | 5,275,727 | $ 2.867 | 1.620 | $ 13,945,162 |
| Exercisable (Vested) - March 31, 2019 | 5,275,727 | $ 2.867 | 1.620 | $ 13,945,162 |

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Company Options:

| | Number of Options | | Weighted Average Exercise Price | Weighted Average Contractual Life in Years | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Outstanding - December 31, 2017 | - | | - | - | | - |
| Granted | - | | - | - | | - |
| Forfeited or Expired | - | | - | - | | - |
| Exercised | - | | - | - | | - |
| Outstanding – March 31, 2018 | - | | - | - | | - |
| Exercisable (Vested) - March 31, 2018 | - | | - | - | | - |
| | | | | | | |
| 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 | - | | - | - | | - |
| Forfeited or Expired | - | | - | - | | - |
| Exercised | - | | - | - | | - |
| Outstanding - March 31, 2019 | 681,830 | $ | 1.330 | 6.200 | $ | 80,998 |
| Exercisable (Vested) - March 31, 2019 | 70,000 | $ | 4.214 | 4.000 | $ | 80,998 |

Total preferred dividend requirement for the three month period ending March 31, 2019 and 2018 amounted to $0 and $70,157, respectively.

**NOTE 7 - CORRECTION OF PRIOR YEAR INFORMATION**

During the audit of the Company's consolidated financial statements for the year ended December 31, 2018, the Company identified an error in the formula used to calculate the initial asset retirement obligation of Deane, McCoy and KCC. The formulaic error initially resulted in the overstated long-term assets and long term liabilities for the year ended December 31, 2015, 2016 and 2017. During the year ended December 31, 2016 and 2017, accretion and depreciation expenses were overstated causing an understatement of retained earnings.

This resulted in an adjustment to the previously reported amounts in the financial statements of the Company for the three-month period ended March 31, 2018. In accordance with the SEC's Staff Accounting Bulletin Nos. 99 and 108 (SAB 99 and SAB 108), the Company evaluated this error and, based on an analysis of quantitative and qualitative factors, determined that the error was immaterial to the prior reporting periods affected.

However, if the adjustments to correct the cumulative effect of the above error had been recorded in the three months ended March 31, 2018, the Company believes the impact would have been significant and would impact comparisons to prior periods. Therefore, as permitted by SAB 108, the Company corrected, in the current filing, previously reported results of the Company as of March 31, 2018.

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The following table presents the impact of the correction in the financial statements as of March, 31, 2018:

| Balance Sheet | As of March 31, 2018 | | |
|---|---|---|---|
| | **As Previously Reported** | **Adjustment** | **As Adjusted** |
| Assets | | | |
| Total Current Assets | $ 3,068,478 | $ - | $ 3,068,478 |
| | | | |
| Cash - restricted | 85,786 | - | 85,786 |
| Processing and Rail Facility | 2,914,422 | (279,647) | 2,634,775 |
| Underground Equipment | 8,887,045 | (1,633,897) | 7,253,148 |
| Surface Equipment | 4,439,263 | (1,126,208) | 3,313,055 |
| Less Accumulated Depreciation | (5,300,140) | 933,850 | (4,366,290) |
| Land | 178,683 | - | 178,683 |

| | | | |
|---|---|---|---|
| Accounts Receivable - Other | 111,003 | - | 111,003 |
| Note Receivable | 4,117,139 | - | 4,117,139 |
| | | | |
| Total Assets | $ 18,501,679 | $ (2,105,902) | $ 16,395,777 |
| | | | |
| Liabilities and Shareholders' deficit | | | |
| | | | |
| Total Current Liabilities | $ 37,459,392 | $ - | $ 37,459,392 |
| | | | |
| Long-term portion of note payables | 5,782,253 | - | 5,782,253 |
| Reclamation liability | $ 17,964,267 | (5,004,103) | 12,960,164 |
| | | | |
| Total Liabilities | $ 61,205,912 | (5,004,103) | $ 56,201,809 |
| | | | |
| Class A Common stock | 89 | - | 89 |
| Series A Preferred stock | 482 | - | 482 |
| Series B Preferred stock | 850 | - | 850 |
| APIC | 1,527,254 | - | 1,527,254 |
| Accumulated Deficit | (44,759,278) | 2,898,201 | (41,861,077) |
| Total American Resources Corporation Shareholders’ Equity | (43,230,603) | 2,898,201 | (40,332,402) |
| Non Controlling Interest | 526,370 | - | 526,370 |
| Total Liabilities and Shareholders’ Deficit | 18,501,679 | $ (2,105,902) | 16,395,777 |

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| Income Statement | As of March 31, 2018 | | |
|---|---|---|---|
| | As Previously Reported | Adjustment | As Adjusted |
| Revenue | | | |
| Total Revenue | $ 7,325,376 | $ - | $ 7,325,376 |
| | | | |
| Cost of Coal Sales and Processing | (5,473,428) | - | (5,473,428) |
| Accretion Expense | (447,762) | 106,181 | (341,581) |
| Depreciation | (479,571) | (135,818) | (615,389) |
| General and Administrative | (476,589) | - | (476,589) |
| Professional Fees | (274,603) | - | (274,603) |
| Production Taxes and Royalties | (949,793) | - | (949,793) |
| Development Costs | (1,687,173) | - | (1,687,173) |
| | | | |
| Net Loss from Operations | $ (2,463,543) | $ (29,637) | $ (2,493,180) |
| | | | |
| Other Expense, net | (77,469) | - | (77,469) |
| | | | |
| Net Loss | $ (2,541,012) | $ (29,637) | $ (2,570,649) |
| | | | |
| Less: Preferred dividend requirement | (70,157) | - | (70,157) |
| Less: Net income attributable to Non Controlling Interest | (128,514) | - | (128,514) |

| | | | |
|---|---|---|---|
| Net loss attributable to American Resources Corporation Shareholders | $ (2,739,683) | $ (29,637) | $ (2,769,320) |

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| Statement of Cash Flow | As of March 31, 2018 | | |
|---|---|---|---|
| | As Previously Reported | Adjustment | As Adjusted |

| | | | |
|---|---|---|---|
| **Cash Flows from Operating activities:** | | | |
| **Net loss** | $ (2,541,012) | $ (29,637) | $ (2,570,649) |
| **Adjustments to reconcile net loss to net cash** | | | |
| Depreciation | 479,571 | 135,818 | 615,389 |
| Accretion expense | 447,762 | (106,181) | 341,581 |
| Amortization of debt discount and issuance costs | 37,841 | - | 37,841 |
| Recovery of advances receivable | (50,806) | - | (50,806) |
| | $ (1,626,644) | $ - | $ (1,626,644) |
| Change in current assets and liabilities | 567,359 | - | 567,359 |
| Cash used in operating activities | $ (1,059,285) | - | $ (1,059,285) |
| Cash provided by investing activities | 72,219 | - | 72,219 |
| Cash provided by financing activities | 696,193 | - | 696,193 |
| Decrease in cash and restricted cash | (290,873) | - | (290,873) |
| Cash and restricted cash, beginning of year | 385,665 | - | 385,665 |
| Cash and restricted cash, end of year | $ 94,792 | $ - | $ 94,792 |

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**NOTE 8 - 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.

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.

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. Deane is currently in default of this agreement.

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 is still in pending settlement talks.

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 principal office space expired in December 31, 2018 and is continuing on a month-to-month basis. The future annual rent is $6,000 through 2021. Rent expense for three-month period ending March 31, 2019 and 2018 amounted to $9,000 and

$9,000 each period, respectively.

**NOTE 9 - SUBSEQUENT EVENTS**

On April 23, 2019, the Company drew the final $1,500,000 from the customer development loan.

On April 30, 2019, McCoy entered into a settlement agreement for some previously leased equipment. The settlement calls for monthly cash payments of $10,000 for a total $160,000. If a monthly payment is missed, the missed balance will accrue interest at 6%. In addition, under the settlement agreement, the Company is to issue 50,000 common shares. For a six-month period, post issuance, the Company has the option to repurchase the previously issued shares for $100,000.

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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. These operations represent historical operations of the company and do not represent the company's current operations and business plan.

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 seven 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), Wyoming County Coal LLC (Wyoming County), Empire Kentucky Land, Inc (Empire), and Quest Processing LLC (Quest Processing) located in eastern Kentucky and western West Virginia within the Central Appalachian coal basin 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 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.

We have not classified, and as a result, do not have any "proven" or "probable" reserves as defined in United States Securities and Exchange Commission Industry Guide 7, and as a result, our company and its business activities are deemed to be in the exploration stage until mineral reserves are defined on our properties.

**<u>McCoy Elkhorn Coal LLC</u>**

*General:*

Located primarily within Pike County, Kentucky, McCoy Elkhorn is currently comprised of two active mines (Mine #15 and the Carnegie 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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*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. 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 in the Alma coal seam 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 modified contractor mine, whereby McCoy Elkhorn provides the mining infrastructure and equipment for the operations and pays the contractor a fixed per-ton fee for managing the workforce, procuring the supplies, and maintaining the equipment and infrastructure in proper working order.

The PointRock Mine is a 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 2019. 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. The PointRock Mine has the estimated capacity to produce up to approximately 15,000 tons per month of coal and has not yet started coal production under McCoy Elkhorn's ownership.

*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 has the ability to process, store, and load 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.

**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 1 active mine (the Wayland Surface Mine) and 22 idled mining permits (or permits in reclamation) and permits for one preparation facility: the idled Supreme Energy Preparation Plant. 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.

*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 which occurred during May 2018.

Other potential customers of Knott County Coal include industrial customers, specialty customers and utilities for electricity generation.

*Processing & Transportation:*

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.

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.

**Deane Mining LLC**

*General:*

Located within Letcher County and Knott County, Kentucky, Deane Mining 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.

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*Mines:*

Access Energy is an underground 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.

Razorblade Surface is a surface mine targeting the Hazard 4 and Hazard 4 Rider coal seams and located in Deane, Kentucky. Deane Mining commenced mining activity at Razorblade Surface during the spring of 2018. Coal produced from Razorblade Surface is trucked approximately one mile to the Mill Creek Preparation Plant. Razorblade Surface is currently run as a contractor model for which the contractor is paid a fixed per-ton fee for the coal produced.

*Processing & Transportation:*

Coal from Access Energy is processed at Deane Mining’s Mill Creek Preparation Plant, 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.

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.

**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.

*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.

**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.

*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.

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**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), 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 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 March 31, 2019. 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)**

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.

**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. 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.

**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, the Surface Mining Control and Reclamation Act of 1977 (SMCRA) with respect to coal mining activities and ancillary activities; the Clean Air Act (CAA) with respect to air emissions; the Clean Water Act (CWA) with respect to water discharges and the permitting of key operational infrastructure such as impoundments; Resource Conservation and Recovery 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. The Mine Safety and Health Administration (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.

**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 and is continuing on a month-to-month basis. We also rent office space from a related 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.

**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, Wayland Surface Mine and Deane Mining's Access Energy mine are primarily run by company employees, McCoy Elkhorn's Carnegie Mine and Deane Mining's Razorblade Surface mine are primarily run by contract labor, and the Company's various coal preparation facilities are run by company employees.

The Company currently has approximately 235 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 $6,994,276 for the three-months ended March 31, 2019 and $7,325,376 operating revenue for the three-months ended March 31, 2018. We have incurred net loss attributable to American Resources shareholders in the amount of $10,065,620 and a net loss of $2,769,320 respectively for the same periods.

The primary driver for decrease in revenue was a decrease in coal production while the Access Energy and Mine #15 deep mines underwent further development.

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 March 31, 2019 and 2018, coal sales and processing expenses were $6,644,087 and $5,473,428 respectively, development costs, including loss on settlement of ARO were $1,600,117 and $1,687,173, respectively, and production taxes and royalties $1,259,586 and $949,793, respectively. Depreciation expense for the three months ended March 31, 2019 and 2018 were $816,916 and $615,389 respectively.

**Liquidity and Capital Resources**

As of March 31, 2019, and 2018, our available cash was $7 and $9,006. 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. We do not have any credit lines currently available to fund our liquidity requirements, and currently there is uncertainty regarding our ability to execute on the above strategy.

For the three months ending March 31, 2019 our net cash flow used in operating activities was $5,743,426 and for the period ending March 31, 2018 the net cash flow used in operating activities was $1,059,285.

For the three months ending March 31, 2018 and 2017 net cash provided by (used in) investing activities were $721,444 and $72,219 respectively.

For the three months ending March 31, 2018 and 2017 net cash proceeds from financing activities were $4,231,718 and $696,193 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 $35,000 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.

**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 2016-02, *Leases*, effective for years beginning after December 15, 2018. The Company adopted this standard on January 1, 2019 using the modified retrospective approach. The Company has concluded that the adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

**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.

**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.

With respect to the period ending March 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 Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934.

Based upon our evaluation regarding the period ending March 31, 2019, 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 March 31, 2019 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

During the 3-month period ending March 31, 2019, sales of unregistered equity securities totaled 20,200. Proceeds of these sales amounted to $101,000 which were primarily used for working capital and development costs.

## 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:

| Exhibit Number | Description | Location Reference |
|---|---|---|
| 3.1 | Articles of Incorporation of Natural Gas Fueling and Conversion Inc. | 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. |
| 3.2 | Amended and Restated Articles of Incorporation of NGFC Equities Inc. | Incorporated herein by reference to Exhibit 3.1 to the Company's 8k filed on February 25, 2015. |
| 3.3 | Articles of Amendment to Articles of Incorporation of NGFC Equities, Inc. | 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 21, 2017. | Incorporated herein by reference to Exhibit 3.4 to the Company's Form 10-Q, filed with the SEC on February 20, 2018. |
| 3.5 | Bylaws of Natural Gas Fueling and Conversion Inc. | 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. |
| 3.6 | Bylaws, of NGFC Equities Inc., as amended and restated. | Incorporated herein by reference to Exhibit 3.2 to the Company's 8k filed on February 25, 2015. |
| 3.7 | Articles of Amendment to Articles of Incorporation of American Resources Corporation dated November 8, 2018. | Filed as Exhibit 99.1 to the Company's 8k filed on November 13, 2018, incorporated herein by reference. |
| 3.8 | Bylaws of American Resources Corporation, as amended and restated | Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on November 13, 2018. |
| 4.1 | Common Stock Purchase Warrant "B-4" dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.1 to the Company's 8k filed on October 11, 2017. |
| 4.2 | Common Stock Purchase Warrant "C-1" dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.2 to the Company's 8k filed on October 11, 2017. |
| 4.3 | Common Stock Purchase Warrant "C-2" dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.3 to the Company's 8k filed on October 11, 2017. |
| 4.4 | Common Stock Purchase Warrant "C-3" dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.4 to the Company's 8k filed on October 11, 2017. |
| 4.5 | Common Stock Purchase Warrant "C-4" dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.5 to the Company's 8k filed on October 11, 2017. |
| 4.6 | Promissory Note for $600,000.00 dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.6 to the Company's 8k filed on October 11, 2017. |
| 4.7 | Promissory Note for $1,674,632.14 dated October 4, 2017 | Incorporated herein by reference to Exhibit 4.7 to the Company's 8k filed on October 11, 2017. |

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| 4.8 | Loan Agreement for up to $6,500,000 dated December 31, 2018 | Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on January 3, 2019. |
| 4.9 | Promissory Note for up to $6,500,000 dated December 31, 2018 | Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on January 3, 2019. |
| 10.1 | Secured Promissory Note | Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on May 15, 2018. |
| 10.2 | Security Agreement | Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on May 15, 2018. |
| 10.3 | Pledge Agreement | Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on May 15, 2018. |
| 10.4 | Guaranty Agreement | Incorporated herein by reference to Exhibit 99.4 to the Company's 8k filed on May 15, 2018. |
| 10.5 | Bill of Sale | Incorporated herein by reference to Exhibit 99.5 to the Company's 8k filed on May 15, 2018. |
| 10.6 | Sublease Agreement Between Colonial Coal Company, Inc. and McCoy Elkhorn Coal LLC | Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on May 1, 2018 |
| 10.7 | Interim Operating Agreement | Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on May 1, 2018 |
| 10.8 | Consolidated and Restated Loan and Security Agreement dated October 4, 2017 | Incorporated herein by reference to Exhibit 10.1 to the Company's 8k filed on October 11, 2017 |
| 10.9 | Asset Purchase Agreement between Wyoming County Coal LLC and Thomas Shelton dated November 7, 2018 | Incorporated herein by reference to Exhibit 10.9 to the Company's registration statement filed on December 11, 2018. |

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| 10.10 | Asset Purchase Agreement between Wyoming County Coal LLC and Synergy Coal, LLC dated November 7, 2018 | Incorporated herein by reference to Exhibit 10.10 to the Company's registration statement filed on December 11, 2018. |
| 10.11 | Security Agreement | Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on January 3, 2019. |
| 10.12 | Purchase Order | Incorporated herein by reference to Exhibit 99.4 to the Company's 8k filed on January 3, 2019. |
| 10.13 | Employment Agreement with Mark C. Jensen | Incorporated herein by reference to Exhibit 10.13 to the Company's registration statement filed on February 6, 2019. |
| 10.14 | Employment Agreement with Thomas M. Sauve | Incorporated herein by reference to Exhibit 10.14 to the Company's registration statement filed on February 6, 2019. |
| 10.15 | Employment Agreement with Kirk P. Taylor | Incorporated herein by reference to Exhibit 10.15 to the Company's registration statement filed on February 6, 2019. |
| 10.16 | Employee Stock Option Plan | Incorporated herein by reference to Exhibit 10.16 to the Company's registration statement filed on February 6, 2019. |
| 10.17 | Letter of Intent | Incorporated herein by reference to Exhibit 10.17 to the Company's registration statement filed on February 6, 2019. |
| 10.18 | Merger Agreement with Colonial Coal | Incorporated herein by reference to Exhibit 10.18 to the Company's registration statement filed on February 14, 2019. |
| 10.19 | Share Exchange Agreement to replace Merger Agreement with Colonial Coal | Incorporated herein by reference to Exhibit 10.19 to the Company's registration statement filed on February 14, 2019. |
| 14.1 | Code of Conduct | Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on November 13, 2018. |

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| 14.2 | Financial Code of Ethics | Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on November 13, 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 | Filed Herewith |
| 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 | Filed Herewith |
| 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. | Filed Herewith |
| 32.2 | 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. | Filed Herewith |
| 95.1 | Mine Safety Disclosure pursuant to Regulation S-K, Item 104 | Filed Herewith |

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|---|---|
| 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: May 15, 2019

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.

**AMERICAN RESOURCES CORPORATION**

Date: May 15, 2019

By: */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.

**AMERICAN RESOURCES CORPORATION**

Date: May 15, 2019

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

**EXHIBIT 32.1**

**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 March 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**

May 15, 2019

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

**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 March 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**

May 15, 2019

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 three months ended March 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.

| ***Mine or Operating Name / MSHA Identification Number*** | ***Section 104(a) S&S Citations***[(1)] | ***Section 104(b) Orders***[(2)] | ***Section 104(d) Citations and Orders***[(3)] | ***Section 110(b)(2) Violations***[(4)] | ***Section 107(a) Orders***[(5)] | ***Total Dollar Value of MSHA Assessments Proposed (in thousands)***[(6)] |
|---|---|---|---|---|---|---|
| **Active Operations** | | | | | | |
| McCoy Elkhorn Mine #15 / 15-18775 | 26 | 0 | 0 | 0 | 0 | $ 30.27 |
| McCoy Elkhorn Carnegie Mine / 15-19313 | 10 | 0 | 0 | 0 | 0 | $ 0.0 |
| McCoy Elkhorn Bevins Branch Preparation Plant / 15-10445 | 3 | 0 | 0 | 0 | 0 | $ 0.0 |
| McCoy Elkhorn Point Rock / 15-07010 | 0 | 0 | 0 | 0 | 0 | $ 0.0 |
| Deane Mining Access Mine / 15-19532 | 40 | 0 | 1 | 0 | 0 | $ 39.24 |
| Deane Mining Mill Creek Preparation Plant / 15-16577 | 0 | 0 | 0 | 0 | 0 | $ 0.0 |
| Deane Mining Razorblade / 15-19829 | 3 | 0 | 0 | 0 | 0 | $ 0.36 |
| Knott County Coal Wayland/15-19402 | 1 | 0 | 0 | 0 | 0 | $ 0.12 |

| ***Mine or Operating Name / MSHA Identification Number*** | ***Total Number of Mining Related Fatalities*** | ***Received Notice of Pattern of Violations Under Section 104(e) (yes/no)***[(7)] | ***Legal Actions Pending as of Last Day of Period*** | ***Legal Actions Initiated During Period*** | ***Legal Actions Resolved During Period*** |
|---|---|---|---|---|---|
| **Active Operations** | | | | | |
| McCoy Elkhorn Mine #15 / 15-18775 | 0 | No | 0 | 0 | 0 |
| McCoy Elkhorn Carnegie Mine / 15-19313 | 0 | No | 0 | 0 | 0 |
| McCoy Elkhorn Bevins Branch Preparation Plant / 15-10445 | 0 | No | 0 | 0 | 0 |
| McCoy Elkhorn Point Rock / 15-07010 | 0 | No | 0 | 0 | 0 |
| Deane Mining Access 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 |

The number of legal actions pending before the Federal Mine Safety and Health Review Commission as of March 31, 2018 that fall into each of the following categories is as follows:

| ***Mine or Operating Name / MSHA Identification Number*** | ***Contests of Citations and Orders*** | ***Contests of Proposed Penalties*** | ***Complaints for Compensation*** | ***Complaints of Discharge / Discrimination / Interference*** | ***Applications for Temporary Relief*** | ***Appeals of Judge's Ruling*** |
|---|---|---|---|---|---|---|
| **Active Operations** | | | | | | |
| McCoy Elkhorn Mine #15 / 15-18775 | 97 | 97 | 0 | 0 | 0 | 0 |
| McCoy Elkhorn Carnegie Mine / 15-19313 | 0 | 0 | 0 | 0 | 0 | 0 |
| McCoy Elkhorn Bevins Branch Preparation Plant / 15-10445 | 0 | 0 | 0 | 0 | 0 | 0 |
| McCoy Elkhorn Point Rock / 15-07010 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deane Mining Access Mine / 15-19532 | 44 | 44 | 0 | 0 | 0 | 0 |
| Deane Mining Mill Creek Preparation Plant / 15-16577 | 1 | 1 | 0 | 0 | 0 | 0 |
| Deane Mining Razorblade / 15-19829 | 0 | 0 | 0 | 0 | 0 | 0 |
| Knott County Coal Wayland / 15-19402 | 1 | 1 | 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 three months ended March 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.