

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

American Resources Corp

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest event Reported): May 9, 2018

AMERICAN RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation)

000-55456
(Commission File Number)

46-3914127
(I.R.S. Employer Identification No.)

9002 Technology Lane, Fishers Indiana, 46038
(Address of principal executive offices)

(606) 637-3740
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See: General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17CFR240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR240.13e-4(c))
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Section 1 – Registrant's Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

Section 2 – Financial Information

Item 2.03 Creation of a Direct Financial Obligation

On May 9, 2018, American Resources Corporation's wholly-owned subsidiary, Quest Energy Inc. (Quest Energy), entered into a financing transaction with ENECo, Inc., an Ohio corporation based in Columbus, Ohio ("ENECo"). Specifically, Quest Energy entered into a secured promissory note with ENECo, in the amount of \$1,000,000.00 (the "Note"). The Note holds no interest and is secured by the assets of Quest Energy. The Note secures Quest Energy's obligation to repurchase certain equipment from ENECo pursuant to the terms of Bill of Sale between Quest Energy and ENECo. The Note matures upon the earlier of: (i) the date of any (a) equity raise by Quest Energy or (b) debt or other financing by Quest Energy or (ii) September 24, 2018.

Simultaneously, Quest Energy entered into a Bill of Sale with ENECo, whereby Quest Energy sold to ENECo certain equipment purchased from an unrelated third party, along with other owned equipment, with the obligation to repurchase said equipment from ENECo for the total purchase price of \$1,000,000.00, payable in four equal monthly installments of \$250,000.00 payable on the fifteen day of each consecutive calendar month commencing on June 15, 2018, with final payment due to ENECo on September 15, 2018. Quest Energy shall have the right to use the equipment until such time as the Purchase Price has been paid in full to ENECo, for a monthly fee of \$30,000.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are attached hereto and filed herewith.

ExhibitNo.	Description
99.1	Secured Promissory Note
99.2	Security Agreement
99.3	Pledge Agreement
99.4	Guaranty Agreement
99.5	Bill of Sale

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 hereunto duly authorized.

American Resources Corporation

Date: May 15, 2018

By: /s/ Mark C. Jensen

Mark C. Jensen
Chief Executive Officer

Execution Version

QUEST ENERGY INC.

Non-Negotiable, Secured Promissory Note

Principal Amount: US\$1,000,000.00

Date: May 9, 2018

FOR VALUE RECEIVED, the undersigned, QUEST ENERGY INC., an Indiana corporation (the "Obligor"), hereby unconditionally promises to pay to the order of ENCECO, INC., an Ohio Subchapter S Corporation (the "Holder"), the sum of ONE MILLION DOLLARS (US\$1,000,000.00), in lawful money of the United States of America. The Loan evidenced by this Non-Negotiable, Secured Promissory Note (the "Note") secures the Obligor's obligation to repurchase certain equipment from the Holder pursuant to the terms of that certain Bill of Sale and Repurchase Agreement, of even date herewith, between Holder and Obligor ("Bill of Sale"). The principal amount of this Note shall be reduced dollar for dollar for every installment repurchase payment made by obligor under the Bill of Sale. For clarity, the principal amount hereunder shall not be reduced for any other payments made under the Bill of Sale, including, but not limited to the \$30,000 monthly usage fee, the \$10,000 installment payment deferral fee and any other costs, taxes, fees and expenses.

This Note will carry no regular rate of interest, but will be subject to default interest as provided below. This Note is intended by the parties to be fully integrated with the Bill of Sale, and any fees or other amounts due under the Bill of Sale will be additional amounts due under this Note. The remaining unpaid principal amount of this Note plus such fees and other amounts due under the Bill of Sale plus any default interest shall be defined as the "Loan Amount".

Notwithstanding the foregoing, this Note shall be repaid in full with principal and accrued interest due and owing upon the earlier of: (i) the date of any (a) equity raise by Obligor or its subsidiaries or affiliates (each an "Obligor Party") or (b) debt or other financing by any Obligor Party creating any indebtedness to any Obligor Party or (ii) September 24, 2018.

The Loan Amount is payable in US Dollars at the Holder's offices located at 3694 Seaford Drive, Columbus, Ohio 43220. Obligor may prepay all or any part of the principal amount evidenced by this Note without prepayment penalty or premium and without any notice to Holder. To facilitate and expedite Obligor's payment to Holder hereunder, Holder shall provide Obligor with its applicable wiring instructions.

If at any time Holder receives, from Obligor or otherwise, any amount applicable to this Note which is less than all amounts due and payable at such time, Holder may apply that payment to amounts then due and payable under this Note in any manner and in any order determined by Holder, in Holder's discretion. Obligor agrees that neither Holder's acceptance of a payment from Obligor in an amount that is less than all amounts then due and payable nor Holder's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.

To secure Obligor's obligations hereunder, Obligor hereby grants unto Holder a lien on and first priority (and pari-passu with existing loans not to exceed \$5.744 million from Golden Properties Ltd. to Obligor) security interest in all of Obligor's assets (whether directly or indirectly owned, real or personal, tangible or intangible) including, without limit, the equipment listed on the Quest Master Equipment provided to Holder by Obligor plus any equipment not listed therein acquired or to be acquired from Callidus Capital Corporation. Obligor shall, from time to time, upon Holder's request, execute and deliver such mortgages,

pledge agreements, security agreements, UCC filings and other agreements and documents as Holder reasonably requests in order to perfect such liens and security interests.

If an Event of Default (as defined below) has occurred and is continuing, the entire unpaid principal balance, any accrued interest, and all other amounts payable under this Note or under the Bill of Sale shall at once become due and payable, at the option of Holder, without any prior notice to Obligor (except if notice is required by applicable law, then after such notice). Additionally, Obligor shall pay Holder monthly default interest at the rate of 20% per year on the average daily Loan Amount. Holder may exercise this option to accelerate regardless of any prior forbearance.

The following shall constitute events of default (each, an "Event of Default"):

- Obligor fails to pay any amount when due hereunder, whether at stated maturity, by acceleration, or otherwise or otherwise fails to perform or breaches a covenant in the Bill of Sale or this Note, and Obligor fails to cure any breach of covenant within ten (10) days after written notice from the Holder to the Obligor notifying of such breach;
- If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (a "Bankruptcy Law"), Obligor shall (i) commence a voluntary case or proceeding; (ii) consent to the entry of an order for relief against it in an involuntary case; (iii) consent to the appointment of a trustee, receiver, assignee, liquidator, or similar official; (iv) make an assignment for the benefit of its creditors; or (v) admit in writing its inability to pay its debts as they become due; or
- If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Obligor in an involuntary case or (ii) appoints a trustee, receiver, assignee, liquidator, or similar official for Obligor or substantially all of Obligor's assets or properties.

Obligor shall pay a late charge equal to five percent (5.0%) of any payment not received by Holder within five (5) days after the due date thereof. Obligor agrees that such late charge is not a charge for the use of the money, but is imposed to compensate Holder for some administrative services, costs and losses associated with any default (including a payment default upon maturity) under this Note, and such late charge is fully earned and nonrefundable when accrued. Collection or acceptance by Holder of such late charge shall not constitute a waiver of any remedies of Holder provided herein or otherwise at law.

Obligor hereby waives demand for payment, presentment, protest, notice of protest and non-payment, or other notice of default, notice of acceleration and intention to accelerate, and agrees that Obligor's liability under this Note shall not be affected by any renewal or extension in time of payment hereof, or in any indulgences, or by any release or change in any security for the payment of this Note, and hereby consents to any and all renewals, extensions, indulgences, release or changes, regardless of the number of such renewals, extensions, indulgences, releases or changes.

No waiver by Holder of any of its rights or remedies hereunder or under any other document evidencing or securing this Note or otherwise shall be considered a waiver of any other subsequent right or remedy of Holder; no delay or omission in the exercise or enforcement by Holder of any rights or remedies

shall ever be construed as a waiver of any right or remedy of Holder, and no exercise or enforcement of any such rights or remedies shall ever be held to exhaust any right or remedy of Holder.

Obligor hereby agrees to indemnify and hold harmless the Holder and its agents and employees from and against any and all losses, claims, damages, liabilities and expenses including, without limitation, reasonable attorneys' fees and costs and disbursements, which may be imposed or incurred by any of them in connection with this Note, including, without limitation, those asserted by the Obligor or any other third party, except that no such party will be indemnified for any losses, claims, damages, liabilities or expenses arising out of the willful misconduct or gross negligence of such party.

This Note is being executed and delivered, and is intended to be performed in the State of Ohio. Except to the extent that the laws of the United States may apply to the terms hereof, the substantive laws of the State of Ohio shall govern the validity, construction, enforcement and interpretation of this Note. This Note is secured.

All obligations of any party under this Note shall be joint and several, and all references to Obligor shall mean each and every party signatory. This means that each party signing below is responsible for all obligations in this Note. Where any one or more of the parties is a corporation, partnership, limited liability company or similar entity, it is not necessary to inquire into the powers of any of the officers, directors, partners, members, or other agents acting or purporting to act on the entity's behalf, and any obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Note.

Holder hereby agrees that this Note is a non-negotiable instrument and may not be sold, conveyed, assigned, or transferred. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings at law or in equity or in bankruptcy, receivership or other court proceedings, Obligor promises to pay all costs and expenses of collection including, but not limited to, court costs and the reasonable attorneys' fees of the Holder.

QUEST ENERGY INC.

By: _____
Its:

ACCEPTED AND AGREED BY:
ENCECO, INC.

By: _____
Its: Vice President and Secretary

Execution Version

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**"), dated as May 9, 2018, and, by and among QUEST ENERGY, INC. ("**Borrower**"), each of the undersigned Grantors party to the Guaranty described below (each of such undersigned parties being a "**Guarantor**" and collectively "**Guarantors**") and each Additional Grantor that may become a party hereto after the date hereof in accordance with Section 6.16 hereof (each of the Borrower, each Guarantor, and each Additional Grantor being a "**Grantor**" and collectively the "**Grantors**") and ENCECO, INC., an Ohio corporation, as Lender (the "**Lender**").

RECITALS

A. Borrower and Lender have entered into that certain Non-Negotiable, Secured Promissory Note in the principal amount of \$1,000,000, of even date herewith (as amended, restated, modified or supplemented from time to time, the "**Note**"), which Note secures Borrower's obligation to repurchase certain equipment conveyed to Lender pursuant to that certain Bill of Sale and Repurchase Agreement, of even date herewith, between Borrower and Lender (the "**Bill of Sale**").

B. Guarantors and the Borrower have executed and delivered the Unconditional Guaranty of Payment and Performance, of even date herewith, (as amended, modified or supplemented from time to time, the "**Guaranty**"), in favor of the Lender, pursuant to which each Guarantor and Borrower has guaranteed, among other things, the prompt payment when due of all obligations of the Borrower and each other Guarantor under the Note, the Bill of Sale and any and all documents to be delivered pursuant thereto and/or in connection therewith, including without limit any mortgages, pledge agreements, security agreements and UCC filings (the Note, together with all such agreements and documents, collectively the "**Loan Documents**").

NOW, THEREFORE, intending to be legally bound hereby, the Grantors agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. Capitalized terms not otherwise defined herein shall have the meanings given in the Note. In addition to the other terms defined elsewhere in this Agreement, as used herein the following terms shall have the following meanings:

"**Additional Grantor**": any Person that becomes a party hereto after the date hereof as an additional Grantor by executing a Supplement.

"**Equity Interests**" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“**Lien**” means (a) any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing) and (b) in the case of securities or Equity Interests, any purchase option, call or similar right of a third part with respect to such securities or Equity Interests.

“**Person**” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

“**Pledged Equity**”: (i) all Equity Interests now or hereafter owned by a Grantor, including all securities convertible into, and rights, warrants, options and other rights to purchase or otherwise acquire, any of the foregoing, including those owned on the date hereof and set forth on Schedule 1 annexed hereto, (ii) the certificates or other instruments representing any of the foregoing and any interest of a Grantor in the entries on the books of any securities intermediary pertaining thereto, (iii) all distributions, dividends and other property received, receivable or otherwise distributed in respect of or exchanged therefor, (iv) all capital and interests in profits, losses and assets, at any time represented by any Pledged Equity; (v) all other payments due or to become due in respect of any Pledged Equity, whether under any partnership agreement or limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise; and (vi) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any partnership agreement, or limited liability company agreement or otherwise, or at law or otherwise in respect of such Pledged Equity.

“**Secured Obligations**”:

(a) with respect to Borrower, all obligations from time to time of the Borrower to the Lender, under or in connection with the Note, the Bill of Sale and any other Loan Document, and

(b) with respect to each other Grantor, all obligations from time to time of such Grantor to the Lender under or in connection with the Guaranty or any other Loan Document,

including, in each case, all obligations to pay principal, interest, fees, expenses, indemnities or other amounts, in each case whether such obligations are direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising (including interest and other obligations arising or accruing after the commencement of any bankruptcy, insolvency, reorganization, dissolution or similar proceeding with respect to the Borrower or any other Person, or which would have arisen or accrued but for the commencement of such proceeding, even if such obligation or the claim therefor is not enforceable or allowable in such proceeding).

“**Securities Collateral**”: the Pledged Equity and any other Investment Property in which Grantor has an interest.

“**Subsidiaries**” means McCoy Elkhorn Coal LLC, an Indiana limited liability company, Knott County Coal LLC, a Delaware limited liability company, Deane Mining LLC, a Delaware limited

liability company, ERC Mining Indiana Corporation, an Indiana corporation and Quest Processing LLC, an Indiana limited liability company.

“**Supplement**”: a supplement to this Agreement, in substantially the form set forth as Exhibit A attached hereto, entered into pursuant to Section 6.16 hereof.

“**UCC**”: the Uniform Commercial Code as in effect in the State of Ohio.

ARTICLE II **SECURITY**

2.1 Grant of Security. Each Grantor hereby assigns to Lender, and hereby grants to Lender a security interest in, all of such Grantor's right, title and interest in and to all of the real and personal property of such Grantor including the following, in each case whether now or hereafter existing, whether tangible or intangible, whether now owned or hereafter acquired and wherever the same may be located (the “**Collateral**”):

- (a) all Accounts;
- (b) all Chattel Paper;
- (c) all Money and all Deposit Accounts, together with all amounts on deposit from time to time in such Deposit Accounts;
- (d) all Documents;
- (e) all General Intangibles (including patents, trademarks, service marks, copyrights, and other intellectual property), Payment Intangibles and Software;
- (f) all Goods, including Inventory, Equipment and Fixtures, including without limit the Equipment described on Schedule 2;
- (g) all Instruments;
- (h) all Investment Property (including, without limitation, the Pledged Equity);
- (i) all Letter-of-Credit Rights and other Supporting Obligations;
- (j) all Records;
- (k) all Commercial Tort Claims; and
- (l) all Proceeds and Accessions with respect to any of the foregoing Collateral.

Each category of Collateral set forth above shall have the meaning set forth in the UCC, it being the intention of the Grantors that the description of the Collateral set forth above be construed to include the broadest possible range of assets. Notwithstanding any of the foregoing Collateral shall not include Borrower's accounts receivables sold under the existing Accounts Receivable Factoring Facility with Crestmark Bank, and Lender's security interest in the Collateral shall be pari-passu with existing loans not to exceed \$5.744 million from Golden Properties, Ltd to Borrower.

2.2 Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt payment in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all Secured Obligations of each Grantor.

ARTICLE III **PERFECTION AND OTHER COLLATERAL MATTERS**

3.1 Perfection.

(a) Generally. Each Grantor agrees that from time to time, at the expense of Grantors, such Grantor will promptly execute and deliver all further instruments and documents, and take all further

action, that may be necessary or desirable, or that Lender may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will:

(i) (A) execute (if necessary) and file such financing or continuation statements, or amendments thereto, (B) execute and deliver, and cause to be executed and delivered, agreements establishing that Lender has control of electronic Chattel Paper, Deposit Accounts, Investment Property and Letter-of-Credit Rights of such Grantor, (C) deliver to Lender all certificates or Instruments representing or evidencing Investment Property, accompanied by duly executed endorsements or instruments of transfer or assignment in blank, all in form and substance satisfactory to Lender and (D) deliver such other instruments or notices, in each case, as may be necessary or desirable, or as Lender may request, in order to perfect and preserve the security interests granted or purported to be granted hereby;

(ii) furnish to Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Lender may reasonably request, all in reasonable detail;

(iii) at any reasonable time, upon request by Lender, exhibit the Collateral to and allow inspection of the Collateral by Lender, or persons designated by Lender;

(iv) at Lender's request, appear in and defend any action or proceeding that may affect such Grantor's title to or Lender's security interest in all or any part of the Collateral;

(v) use commercially reasonable efforts to obtain any necessary consents of third parties to the creation and perfection of a security interest in favor of Lender with respect to any Collateral; and

(vi) at the request of the Lender, take any and all actions required to perfect its security interest in titled vehicles.

(b) Financing Statements, etc. Each Grantor hereby authorizes the Lender to file one or more financing or continuation statements, and amendments thereto, relating to any Collateral without the signature of the Grantor where permitted by law, including financing statements that indicate that the Collateral is "all assets" of such Grantor or words to similar effect. A photocopy or other reproduction of this Agreement or any financing statement covering any Collateral shall be sufficient as a financing statement where permitted by law.

(c) Waiver by Landlords, Mortgagees, etc. To the extent that any Collateral at any time is located on premises that are leased from, or otherwise belonging to, any Person other than a Grantor, or that is subject to a mortgage or other lien in favor of any Person other than a Grantor, the Grantors shall provide the Lender with a waiver agreement in form and substance satisfactory to the Lender, duly executed by such landlord, mortgagee or other Person. Such executed waiver agreement shall be provided to the Lender not later than 15 days after the date hereof, in the case of any such premises existing on the date hereof, and in the case of any other premises, not later than the first date on which any Collateral is located on such premises.

(d) Commercial Tort Claims. Each Grantor agrees that it will promptly notify the Lender in writing of any Commercial Tort Claim with claims for damages (whether stated or anticipated by any Grantor), constituting Collateral and from time to time, at the expense of Grantors, such Grantor will

promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Lender may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby with respect to such Commercial Tort Claim. The Grantors hereby represent that, as of the date hereof, no Grantor has any Commercial Tort Claims.

3.2 Matters Relating to Accounts. Except as otherwise provided in this Section, each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor under the Accounts. In connection with such collections, each Grantor may take (and, upon the occurrence and during the continuance of an Event of Default at Lender's direction, shall take) such action as such Grantor or Lender may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, that Lender shall have the right at any time that an Event of Default has occurred and is continuing, and upon written notice to such Grantor of its intention to do so, to:

- (a) notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Lender and to direct such account debtors or obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to Lender,
- (b) notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to Lender,
- (c) enforce collection of any such Accounts at the expense of Grantors, and
- (d) adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done.

After receipt by such Grantor of the notice from Lender referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other Instruments) received by such Grantor in respect of the Accounts shall be received in trust for the benefit of Lender hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over or delivered to Lender in the same form as so received (with any necessary endorsement), and (ii) such Grantor shall not, without the written consent of Lender, adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

3.3 Matters Relating to Securities Collateral.

(a) Form of Securities Collateral. Except as set forth on Schedule 2, the terms of any limited liability company agreement governing Equity Interests included in the Securities Collateral do not provide that such interest is a security governed by Article 8 of the UCC. If any Securities Collateral is not a security pursuant to Section 8-103 of the UCC, Grantor shall not take any action that, under such Section, converts such Securities Collateral into such a security without causing the issuer thereof to promptly comply with Section 3.1(b).

(b) Voting and Distributions. (i) So long as no Event of Default shall have occurred and be continuing, (A) each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Securities Collateral for any purpose not prohibited by the terms of this Agreement or the Loan Documents; provided, such Grantor shall not exercise or refrain from exercising any such right if Lender shall have notified Grantor that, in Lender's judgment, such action would have a material adverse effect on the value of the Securities Collateral or any part thereof; and (B) each Grantor shall be

entitled to receive and retain any and all dividends, other distributions, principal and interest paid in respect of the Securities Collateral in compliance with the Loan Documents.

(ii) Upon the occurrence and during the continuation of an Event of Default (A) upon written notice from Lender to Grantor, all rights of Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant hereto shall cease, and all such rights shall thereupon become vested in Lender who shall have the sole right to exercise such voting and other consensual rights; (B) all rights of Grantor to receive the dividends, other distributions, principal and interest payments which it would otherwise be authorized to receive and retain shall cease, and all such rights shall become vested in Lender who shall thereupon have the sole right to receive and hold as Collateral such dividends, other distributions, principal and interest payments; and (C) all dividends, principal, interest payments and other distributions which are received by Grantor contrary to the provisions of clause (B) shall be received in trust for the benefit of Lender, shall be segregated from other funds of Grantor and shall forthwith be paid over to Lender as Collateral in the same form as so received (with any necessary endorsements).

(iii) In order to permit Lender to exercise the voting and other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder, (A) Grantor shall promptly execute and deliver (or cause to be executed and delivered) to Lender all such proxies, dividend payment orders and other instruments as Lender may from time to time reasonably request, and (B) without limiting the effect of clause (A) above, Grantor hereby grants to Lender an irrevocable proxy to vote the Pledged Equity and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Equity would be entitled, which proxy shall be effective, automatically and without the necessity of any further action.

(c) If any Grantor shall acquire (by purchase, dividend, distribution or otherwise) any additional Securities Collateral at any time or from time to time after the date hereof, such Securities Collateral shall automatically (and without any further action being required to be taken) be subject to the pledge and security interests created pursuant to Section 2.1 and, furthermore, such Grantor will promptly thereafter (i) take (or cause to be taken) all action with respect to such Securities Collateral in accordance with the procedures set forth in Section 3.1, and (ii) deliver to Lender (A) a certificate executed by a principal executive officer of such Grantor listing such Securities Collateral and certifying that the same has been duly pledged in favor of the Lender and (B) supplements to Schedule 1 hereto as are necessary to cause such annexes to be complete and accurate at such time.

(d) Grantors agree that they will at all times own and control 100% of the Equity Interests of Borrower and the Subsidiaries.

(e) Each pledge of Securities Collateral under Section 2.1 shall be accompanied by any transfer tax stamps or similar items and all related fees or taxes required in connection with the pledge of such Securities Collateral.

ARTICLE IV

CERTAIN RIGHTS OF LENDER

4.1 Lender Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints Lender as such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, Lender or otherwise, from time to time in Lender's discretion to take any action and to execute any instrument that Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to obtain and adjust insurance required to be maintained by such Grantor;
- (b) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;
- (c) to receive, endorse and collect any drafts or other Instruments, Documents, Chattel Paper and other documents in connection with clauses (a) and (b) above;
- (d) to file any claims or take any action or institute any proceedings that Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce or protect the rights of Lender with respect to any of the Collateral;
- (e) to pay or discharge Liens (other than Liens permitted under this Agreement or the Loan Documents) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Lender in its sole discretion, any such payments made by Lender to become obligations of such Grantor to Lender, due and payable immediately without demand;
- (f) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral;
- (g) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes; and
- (h) to do, at Lender's option and Grantors' expense, at any time or from time to time, all acts and things that Lender deems necessary to protect, preserve or realize upon the Collateral and Lender's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as such Grantor might do. All third parties are entitled to rely conclusively on a representation by the Lender that it is entitled to exercise such power of attorney.

provided, that such power under this Section 4.1 may be exercised only so long as an Event of Default has occurred and is continuing.

4.2 Standard of Care. The powers conferred on Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Lender shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Lender accords its own property.

4.3 Lender May Perform. If the Grantor fails to perform any obligation under or in connection with this Agreement, the Lender may (but shall have no duty to) itself perform or cause performance of such obligation, and the expenses of the Lender incurred in connection therewith shall be payable by the Grantor pursuant to Section 6.4. The Lender may from time to time take any other action which the Lender deems necessary or appropriate for the maintenance, preservation or protection of any of the Collateral or of its security interest therein.

ARTICLE V
REMEDIES

5.1 Remedies. If any Event of Default has occurred and is continuing, Lender may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or in any other Loan Document or otherwise available to it, all the rights and remedies of a lender on default under the UCC (whether or not the UCC applies to the affected Collateral), and also may:

- (i) require each Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of Lender forthwith, assemble all or part of the Collateral as directed by Lender and make it available to Lender at a place to be designated by Lender that is reasonably convenient to both parties,
- (ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process,
- (iii) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Lender deems appropriate,
- (iv) take possession of any Grantor's premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of such Grantor's equipment for the purpose of completing any work in process, taking any actions described in the preceding clause (iii) and collecting any Secured Obligation,
- (v) sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Lender's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Lender may deem commercially reasonable,
- (vi) exercise dominion and control over and refuse to permit further withdrawals from any Deposit Account maintained with Lender or any Lender and provide instructions directing the disposition of funds in Deposit Accounts not maintained with Lender, and
- (vii) provide entitlement orders with respect to Security Entitlements and other Investment Property constituting a part of the Collateral and, without notice to any Grantor, transfer to or register in the name of Lender or any of its nominees any or all of the Collateral constituting Investment Property.

Lender may be the purchaser of any or all of the Collateral at any such sale and Lender shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Lender at such sale. Each Grantor hereby waives any claims against Lender arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Lender accepts the first offer received and does not offer such Collateral to more than one offeree.

(b) Securities Collateral. Grantor recognizes that, by reason of certain prohibitions contained in applicable securities laws, Lender may be compelled, with respect to any sale of all or any part of the Securities Collateral conducted without prior registration or qualification of such Securities Collateral under the such securities laws, to limit purchasers to those who will agree, among other things, to acquire the Securities Collateral for their own account, for investment and not with a view to the distribution or resale thereof and who meet certain financial criteria. Each Grantor acknowledges that any such private placement may be at prices and on terms less favorable than those obtainable through a sale without such restrictions (including an offering made pursuant to a registration statement under such securities laws) and, notwithstanding such circumstances, each Grantor agrees that any such private placement shall not be deemed, in and of itself, to be commercially unreasonable and that Lender shall have no obligation to delay the sale of any Securities Collateral for the period of time necessary to permit the issuer thereof to register it for a form of sale requiring registration under such securities laws, even if such issuer would, or should, agree to so register it. If Lender determines to exercise its right to sell any or all of the Securities Collateral, upon written request, Grantor shall and shall cause each issuer of any Securities Collateral to be sold hereunder from time to time to furnish to Lender all such information as Lender may request in order to determine the amount of Securities Collateral that may be sold by Lender in exempt transactions under such securities laws, as the same are from time to time in effect.

5.2 Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held by the Lender as collateral for the Secured Obligations, or then or at any time thereafter applied in accordance with the Loan Documents. If and when all Secured Obligations shall have been completely and finally satisfied in cash in full and all commitments to extend credit under the Loan Documents shall have terminated, any surplus of such cash or cash proceeds held by the Lender shall be paid over to the Grantors or as otherwise required by law. The Grantors shall remain liable, jointly and severally, for any deficiency.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments, etc. No amendment to or waiver of any provision of this Agreement, nor any consent to any departure by any Grantor herefrom, shall in any event be effective unless in a writing manually signed by the Lender, provided, that this Agreement may be modified by the execution of a Supplement by an Additional Grantor in accordance with Section 6.16 hereof and Grantors hereby waive any requirement of notice of or consent to any such amendment. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

6.2 No Implied Waiver; Remedies Cumulative. No failure of the Lender to exercise any right or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of the Lender under this Agreement are cumulative and not exclusive of any other rights or remedies available hereunder, under any other agreement, at law, or otherwise.

6.3 Notices. Except to the extent, if any, otherwise expressly provided herein, all notices and other communications (collectively, "notices") under this Agreement shall be made and be effective, in the case of the Borrower or the Lender, in accordance with the Loan Documents, and in the case of any other Grantor, in accordance with its Guaranty. The Lender may rely on any notice (whether or not made in a manner contemplated by this Agreement) purportedly made by or on behalf of a Grantor, and the Lender shall have no duty to verify the identity or authority of the Person giving such notice.

6.4 Indemnity and Expenses.

(a) **Indemnity.** Grantors, jointly and severally, agree to indemnify the Lender from and against any and all claims, losses, liabilities and expenses (including reasonable attorneys' fees) arising out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses, liabilities and expenses resulting solely from the gross negligence or willful misconduct of the Lender.

(b) **Expenses.** The Grantors, jointly and severally, agree to pay to the Lender, upon demand, the amount of all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Lender may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection of or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of the Lender hereunder, or (iv) the failure by any Grantor to perform or observe any of the provisions hereof.

6.5 Entire Agreement. This Agreement, together with the Exhibits and the Schedules hereto, and the other Loan Documents, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements.

6.6 Survival. The obligations of the Grantors under Section 6.4 shall survive the termination of this Agreement and all other events and conditions whatsoever. All representations and warranties of each Grantor contained in or made in connection with this Agreement shall survive, and shall not be waived by, the execution and delivery of this Agreement, any investigation by or knowledge of the Lender, any extension of credit, termination of this Agreement or any other event or circumstance whatsoever.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same agreement.

6.8 Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be in any way be affected or impaired thereby.

6.9 Headings. Section headings in the Agreement are included for convenience of reference only and shall not be given any substantive effect.

6.10 Successors and Assigns. This Agreement shall be binding upon each Grantor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Lender and its successors and assigns. Without limitation of the foregoing and subject to the terms of the Loan Documents, the Lender (and any successive assignee or transferee) from time to time may assign or otherwise transfer or create a participation interest in all or any portion of its rights or obligations under the Loan Documents (including all or any portion of any commitment to extend credit), or any Secured Obligations, to any other Person, and such Secured Obligations (including any Secured Obligations resulting from extension of credit by such other Person under or in connection with the Loan Documents) shall be and remain Secured Obligations entitled to the benefit of this Agreement, and to the extent of its interest in such Secured Obligations such other Person shall be vested with all the benefits in respect thereof granted to the Lender in this Agreement or otherwise.

6.11 Binding Effect. This Agreement shall be binding upon and inure to the benefit of Grantors, the Lender and their respective successors and permitted assigns, except that Grantors shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

6.12 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OHIO WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF OHIO.

6.13 Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/DEBTOR RELATIONSHIP THAT IS BEING ESTABLISHED.

6.14 Consent to Jurisdiction; Venue. All judicial proceedings brought against a Grantor with respect to this Agreement and the Loan Documents may be brought in any state or federal court of competent jurisdiction in Columbus, Ohio, and by execution and delivery of this Agreement, each Grantor accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Each Grantor irrevocably waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section.

6.15 LIMITATION OF LIABILITY. NO CLAIM MAY BE MADE BY ANY GRANTOR AGAINST THE LENDER OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF THE LENDER FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION OR EVENT IN CONNECTION WITH ANY OF THE FOREGOING (WHETHER BASED ON BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY); AND EACH GRANTOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST.

6.16 Additional Grantors. The initial Grantors hereunder shall be the Borrower and such of the Grantors as are signatories hereto on the date hereof. From time to time after the date hereof, additional Persons may become Additional Grantors, by executing a Supplement. Upon delivery of any such Supplement to Lender, notice of which is hereby waived by Grantors, each such Additional Grantor shall be a Grantor and shall be as fully a party hereto as if such Additional Grantor were an original signatory hereto. Each Grantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Grantor hereunder, nor by any election of Lender not to cause any entity to become an Additional Grantor hereunder. This Agreement shall be fully effective as to any Grantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Grantor hereunder.

IN WITNESS WHEREOF, Grantors and Lender have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

The Borrower:

QUEST ENERGY, INC.

By: _____

Name:

Title:

The Lender:

ENCECO, INC.

By: _____

Name: Charles A Ebetino, Jr.

Title: Vice President & Secretary

[Signature Page to Security Agreement]

Guarantors:
AMERICAN RESOURCES CORPORATION

By: _____
Name:
Title:

MCCOY ELKHORN COAL LLC

By: _____
Name:
Title:

KNOTT COUNTY COAL LLC

By: _____
Name:
Title:

DEANE MINING LLC

By: _____
Name:
Title:

ERC MINING INDIANA CORPORATION

By: _____
Name:
Title:

QUEST PROCESSING LLC

By: _____
Name:
Title:

[Signature Page to Security Agreement]

SCHEDULE 1
TO
SECURITY AGREEMENT

All Equity Interests now owned or hereinafter acquired by any Grantor in the following entities:

1. Quest Energy Inc.
 2. McCoy Elkhorn Coal LLC
 3. Knott County Coal LLC
 4. Deane Mining LLC
 5. ERC Mining Indiana Corporation
 6. Quest Processing LLC
-

EXHIBIT A TO
SECURITY AGREEMENT

[FORM OF SUPPLEMENT]

SUPPLEMENT (this "Supplement"), dated as of _____, 2018 is delivered pursuant to Section 6.16 of the Security Agreement referred to below. The undersigned hereby agrees that this Supplement may be attached to the Security Agreement, dated as of May 7, 2018, among the Grantors signatory thereto, and ENCECO, INC., as Lender ("Lender"), as it may heretofore have been and as it may hereafter be further amended, modified or supplemented from time to time, the "Security Agreement". Capitalized terms used herein not otherwise defined herein shall have the meanings given in the Security Agreement. The undersigned by executing and delivering this Supplement hereby becomes a Grantor under the Security Agreement in accordance with Section 6.16 thereof and agrees to be bound by all of the terms thereof with the same force and effect as if originally named as a Grantor therein, and each reference to a "Grantor" in the Security Agreement shall be deemed to include the undersigned. Without limiting the generality of the foregoing, the undersigned hereby:

- (a) authorizes Lender to add the information set forth on the Schedules of this Agreement to the correlative Schedules attached to the Security Agreement or the Loan Documents;
- (b) represents and warrants that the representations and warranties made by it as a Grantor under the Security Agreement are true and correct on and as of the date hereof;
- (c) grants to and creates in favor of Lender, as security for the payment of the Secured Obligations a security interest in and lien on all of the undersigned's right, title and interest in and to the Collateral.

Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect in accordance with its terms.

THIS SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO, EXCLUSIVE OF CHOICE OF LAW PRINCIPLES.

This Supplement may be executed by the parties hereto in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one and the same agreement.

The address, facsimile number and e-mail address for all notices to be delivered to the undersigned pursuant to the Security Agreement is as set forth on the signature page hereof.

[NAME OF ADDITIONAL GRANTOR]

By: _____

Name: _____

Title: _____

[Address: _____

Telephone No.: _____

Fax No.: _____

E-mail: _____

ACCEPTED:

ENCECO, INC.

By: _____

Name: _____

Title: _____

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this “**Agreement**”), dated as of May 9, 2018, is by and among American Resources Corporation, a Florida corporation (“**ARC**”) and Quest Energy Inc., an Indiana corporation (“**Quest**”) (collectively the “**Pledgors**” and each, a “**Pledgor**”) and ENCECO, Inc., an Ohio corporation, as Lender (the “**Lender**”).

RECITALS

A. Quest and Lender have entered into that certain Non-Negotiable, Secured Promissory Note in the principal amount of \$1,000,000, of even date herewith (as amended, restated, modified or supplemented from time to time, the “**Note**”), which Note secures Quest’s obligation to repurchase certain equipment conveyed to Lender pursuant to that certain Bill of Sale and Repurchase Agreement, of even date herewith, between Quest and Lender (the “**Bill of Sale**”).

B. As required by the Note and the Bill of Sale and any and all documents to be delivered pursuant thereto and/or in connection therewith, including without limit any mortgages, pledge agreements, security agreements and UCC filings (the Note and the Bill of Sale, together with all such agreements and documents, collectively the “**Loan Documents**”), the Pledgors have agreed to pledge their Pledged Equity (as defined below) in each of the Pledged Entities (as defined below) pursuant to the terms hereof.

C. The Pledgors, as borrower, guarantors of the obligations of Quest under the Loan Documents, whether such obligations now exist or arise hereafter (all such obligations are referred to herein as the “**Obligations**”) of Quest, Quest’s parent and/or subsidiaries of Quest, will derive substantial direct and indirect benefit from the transactions contemplated by the Loan Documents.

D. The Pledgors are the current record and beneficial owners of the Pledged Equity, as listed on Schedule 1 hereto.

E. Each Pledgor acknowledges that the Lender has relied and will rely on this Agreement in entering into the Loan Documents and extending credit under the Note. Each Pledgor further acknowledges that it has, independently and without reliance upon the Lender or any representation by or other information from the Lender, made its own credit analysis and decision to enter into this Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the Pledgors agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. Capitalized terms not otherwise defined herein shall have the meanings given in the Loan Agreement. In addition to the other terms defined elsewhere in this Agreement, as used herein the following terms shall have the following meanings:

“**Guaranty**” means that certain Unconditional Guaranty of Payment and Performance, of even date herewith, entered into by and among ARC, the Subsidiaries, Mark C. Jensen and the Lender.

“**Guarantor**” means any guarantor under the Guaranty, including ACR, the Subsidiaries and Mark C. Jensen.

"Pledged Equity": (i) all Equity Interests now or hereafter owned by a Pledgor in any of (A) Quest, and (B) the Subsidiaries (the "Pledged Entities" and each, a "Pledged Entity"), including all securities convertible into, and rights, warrants, options and other rights to purchase or otherwise acquire, any of the foregoing, including those owned on the date hereof and set forth on Schedule 1 annexed hereto, (ii) the certificates or other instruments representing any of the foregoing and any interest of a Pledgor in the entries on the books of any securities intermediary pertaining thereto, (iii) all distributions, dividends and other property received, receivable or otherwise distributed in respect of or exchanged therefor, (iv) all capital and interests in profits, losses and assets, at any time represented by any Pledged Equity; (v) all other payments due or to become due in respect of any Pledged Equity, whether under any partnership agreement or limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise; and (vi) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any partnership agreement, or limited liability company agreement or otherwise, or at law or otherwise in respect of such Pledged Equity.

"Secured Obligations": all Obligations and any other obligations from time to time of Quest or any Guarantor to the Lender, under or in connection with any Guaranty or any other Loan Document, including all obligations to pay principal, interest, fees, indemnities or other amounts, in each case whether such obligations are direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance (including interest and other obligations arising or accruing after the commencement of any bankruptcy, insolvency, reorganization, dissolution or similar proceeding with respect to Quest or any other Person, or which would have arisen or accrued but for the commencement of such proceeding, even if such obligation or the claim therefor is not enforceable or allowable in such proceeding).

"Subsidiaries" means McCoy Elkhorn Coal LLC, an Indiana limited liability company, Knott County Coal LLC, a Delaware limited liability company, Deane Mining LLC, a Delaware limited liability company, ERC Mining Indiana Corporation, an Indiana corporation and Quest Processing LLC, an Indiana limited liability company.

"UCC": the Uniform Commercial Code as in effect in the State of Ohio.

ARTICLE II

SECURITY

2.1 Grant of Security. Each Pledgor hereby assigns to Lender, and hereby grants to Lender a security interest in, all of such Pledgor's right, title and interest in and to all of the following, in each case whether now or hereafter existing, whether tangible or intangible, whether now owned or hereafter acquired and wherever the same may be located (the "Collateral"):

(a) The Pledged Equity, and all of its right, title and interest in each Pledged Entity, whether now existing or hereafter acquired, including, without limitation, to the fullest extent permitted under the terms and provisions of the documents and agreements governing such Pledged Equity and applicable law;

(b) all its capital therein and its interest in all profits, losses and assets, whether tangible or intangible and whether real, personal or mixed, at any time represented by any Pledged Equity and other distributions in respect of such Pledged Equity;

(c) all other payments due or to become due in respect of Pledged Equity, whether under any limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(d) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any limited liability company agreement or operating agreement, or at law or otherwise in respect of such Pledged Equity;

(e) all present and future claims, if any, against any Pledged Entity for moneys loaned or advanced, for services rendered or otherwise; and

(f) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

Notwithstanding any of the foregoing, the Lender's security interest in the Collateral shall be pari-passu with existing loans not to exceed \$5.744 million from Golden Properties, Ltd. to ARC.

2.2 Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt payment in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all Secured Obligations.

ARTICLE III **PERFECTION AND OTHER MATTERS**

3.1 Perfection.

(a) Generally. Each Pledgor agrees that from time to time, at the expense of Pledgors, such Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that Lender may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Pledgor will:

(i) (A) execute (if necessary) and file such financing or continuation statements, or amendments thereto, (B) deliver to Lender all certificates or Instruments representing or evidencing Investment Property, accompanied by duly executed endorsements or instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to Lender and (C) deliver such other instruments or notices, in each case, as may be necessary, or as Lender may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby;

(ii) furnish to Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Lender may reasonably request, all in reasonable detail;

(iii) subject to the terms of the Loan Documents, at any reasonable time, upon request by Lender, exhibit the Collateral to and allow inspection of the Collateral by Lender, or persons designated by Lender;

(iv) at Lender's request, appear in and defend any action or proceeding that may affect such Pledgor's title to or Lender's security interest in all or any part of the Collateral; and

(v) use commercially reasonable efforts to obtain any necessary consents of third parties to the creation and perfection of a security interest in favor of Lender with respect to any Collateral.

(b) Financing Statements, etc. Each Pledgor hereby authorizes the Lender to file one or more financing or continuation statements, and amendments thereto, relating to any Collateral without the signature of the Pledgor where permitted by law, including financing statements that indicate that the Collateral is "all assets" of such Pledgor. A photocopy or other reproduction of this Agreement or any financing statement covering any Collateral shall be sufficient as a financing statement where permitted by law.

3.2 Matters Relating to Pledged Equity.

(a) Form of Pledged Equity. The terms of any limited liability company agreement governing Equity Interests included in the Pledged Equity do not provide that such interest is a security governed by Article 8 of the UCC. Pledgor shall not take any action that converts any Pledged Equity which is not a Security into a Security without providing at least thirty (30) days prior written notice to the Lender and causing certificates representing such Pledged Equity, accompanied by duly executed endorsements of transfer in blank, each in form and substance satisfactory to the Lender, to be delivered to the Lender.

(b) Voting and Distributions. (i) So long as no Event of Default (as defined in the Note or any other Loan Document) shall have occurred and be continuing: (A) each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Equity for any purpose not prohibited by the terms of this Agreement or the Loan Documents; provided, such Pledgor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of the Pledged Equity or any part thereof; and (B) each Pledgor shall be entitled to receive and retain any and all dividends, other distributions, principal and interest paid in respect of the Pledged Equity in compliance with the Loan Documents.

(ii) Upon the occurrence and during the continuation of an Event of Default: (A) upon written notice from Lender to any Pledgor, all rights of such Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant hereto shall cease, and all such rights shall thereupon become vested in Lender who shall have the sole right to exercise such voting and other consensual rights; (B) all rights of any Pledgor to receive the dividends, other distributions, principal and interest payments which it would otherwise be authorized to receive and retain shall cease, and all such rights shall become vested in Lender who shall thereupon have the sole right to receive and hold as Collateral such dividends, other distributions, principal and interest payments; and (C) all dividends, principal, interest payments and other distributions which are received by any Pledgor contrary to the provisions of clause (B) shall be received in trust for the benefit of Lender, shall be segregated from other funds of the Pledgors and shall forthwith be paid over to Lender as Collateral in the same form as so received (with any necessary endorsements).

(iii) In order to permit Lender to exercise the voting and other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder, (A) each Pledgor shall promptly execute and deliver (or cause to be executed and delivered) to Lender all such proxies, dividend payment orders and other instruments as Lender may from time to time reasonably request, and (B) without limiting the effect of

clause (A) above, each Pledgor hereby grants to Lender an irrevocable proxy to vote the Pledged Equity and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Equity would be entitled, which proxy shall be effective, automatically and without the necessity of any further action.

3.3 Subsequently Acquired Collateral. If any Pledgor shall acquire (by purchase, dividend, distribution or otherwise) any additional Collateral at any time or from time to time after the date hereof, such Collateral shall automatically (and without any further action being required to be taken) be subject to the pledge and security interests created pursuant to Section 3.1 and, furthermore, such Pledgor will promptly thereafter take (or cause to be taken) all action with respect to such Collateral in accordance with the procedures set forth in Section 3.1, and will promptly thereafter deliver to the Lender (a) a certificate executed by a principal executive officer of such Pledgor describing such Collateral and certifying that the same has been duly pledged in favor of the Lender hereunder and (b) supplements to Schedule 1 hereto as are necessary to cause such annexes to be complete and accurate at such time.

3.4 Transfer Taxes. Each pledge of Collateral under Section 3.1 or Section 3.3 shall be accompanied by any transfer tax stamps or similar items and all related fees or taxes required in connection with the pledge of such Collateral.

3.5 Certain Representations and Warranties Regarding the Collateral. Each Pledgor represents and warrants that on the date hereof that the Pledged Equity held by such Pledgor consist of the number and type of interests of the Persons described in Schedule 1 hereto, and constitutes that percentage of the issued and outstanding equity interest of the Pledged Entities as set forth in Schedule 1 hereto.

3.6 Loan Document Representations, Warranties and Covenants. To the extent they may apply to any Pledgor, any representations, warranties and covenants set forth in the Loan Documents are hereby incorporated by reference (together with any related definitions and cross references), insofar as such provisions relate to such Pledgor.

3.7 Continuing Ownership. The Pledgors covenant that they shall at all times own and control their Equity Interests in the Pledged Entities.

ARTICLE IV CERTAIN RIGHTS OF LENDER

4.1 Lender Appointed Attorney-in-Fact. Each Pledgor hereby irrevocably appoints Lender as such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor, Lender or otherwise, from time to time in Lender's discretion to take any action and to execute any instrument that Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;
- (b) to receive, endorse and collect any drafts or other Instruments, Documents, Chattel Paper (each as defined in the UCC) and other documents in connection with clause (a) above;
- (c) to file any claims or take any action or institute any proceedings that Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce or protect the rights of Lender with respect to any of the Collateral;

(d) following notice to Pledgor, to pay or discharge liens levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Lender in its reasonable discretion, any such payments made by Lender to become obligations of such Pledgor to Lender, due and payable immediately without demand;

(e) to sign and endorse any assignments, verifications and notices in connection with documents relating to the Collateral;

(f) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes; and

(g) to do, at Lender's option and Pledgors' expense, at any time or from time to time, all acts and things that Lender reasonably deems necessary to protect, preserve or realize upon the Collateral and Lender's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as such Pledgor might do.

provided, that except for actions set forth in Paragraph (d), such power may be exercised only so long as an Event of Default has occurred and is continuing. All third parties are entitled to rely conclusively on a representation by the Lender that it is entitled to exercise such power of attorney.

4.2 Standard of Care. The powers conferred on Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Lender shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Lender accords its own property.

4.3 Lender May Perform. If the Pledgor fails to perform any obligation under or in connection with this Agreement, the Lender may (but shall have no duty to) itself perform or cause performance of such obligation, and the expenses of the Lender incurred in connection therewith shall be payable by the Pledgor pursuant to Section 6.4. The Lender may from time to time take any other action which the Lender reasonably deems necessary for the maintenance, preservation or protection of any of the Collateral or of its security interest therein.

ARTICLE V **REMEDIES**

5.1 Remedies. If any Event of Default has occurred and is continuing, Lender may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or in any other Loan Document or otherwise available to it, all the rights and remedies of a lender on default under the UCC (whether or not the UCC applies to the affected Collateral), and also may:

(i) require each Pledgor to, and each Pledgor hereby agrees that it will at its expense and upon request of Lender forthwith, assemble all or part of the Collateral as directed by Lender and make it available to Lender at a place to be designated by Lender that is reasonably convenient to both parties.

- (ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process,
- (iii) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Lender deems appropriate,
- (iv) take possession of any Pledgor's premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of such Pledgor's equipment for the purpose of completing any work in process, taking any actions described in the preceding clause (iii) and collecting any Secured Obligation,
- (v) sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Lender's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Lender may deem commercially reasonable,
- (vi) exercise dominion and control over and refuse to permit further withdrawals from any deposit account maintained with Lender or any lender and provide instructions directing the disposition of funds in deposit accounts not maintained with Lender, and
- (vii) provide entitlement orders with respect to Security Entitlements and other Investment Property (each as defined in the UCC) constituting a part of the Collateral and, without notice to any Pledgor, transfer to or register in the name of Lender or any of its nominees any or all of the Collateral constituting Investment Property.

Lender may be the purchaser of any or all of the Collateral at any such sale and Lender shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Lender at such sale. Each Pledgor hereby waives any claims against Lender arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Lender accepts the first offer received and does not offer such Collateral to more than one offeree.

(b) Pledged Equity.

(i) All Pledged Equity in existence as of the date hereof is described on Schedule 1 hereto.

(ii) Pledgor recognizes that, by reason of certain prohibitions contained in applicable securities laws, Lender may be compelled, with respect to any sale of all or any part of the Pledged Equity conducted without prior registration or qualification of such Pledged Equity under the such securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Equity for their own account, for investment and not with a view to the distribution or resale thereof and who meet certain financial criteria. Pledgor acknowledges that any such private placement may be at prices and on terms less favorable than those obtainable through a sale without such restrictions (including an offering made pursuant to a registration statement under such securities laws) and, notwithstanding such circumstances and the registration rights granted to Lender by Pledgor pursuant hereto, Pledgor agrees that any such private placement shall not be deemed, in and of itself, to be commercially unreasonable and that Lender shall have no obligation to delay the sale of any Pledged Equity for the period of time

necessary to permit the issuer thereof to register it for a form of sale requiring registration under such securities laws, even if such issuer would, or should, agree to so register it. If Lender determines to exercise its right to sell any or all of the Pledged Equity, upon written request, Pledgor shall and shall cause each issuer of any Pledged Equity to be sold hereunder from time to time to furnish to Lender all such information as Lender may request in order to determine the amount of Pledged Equity that may be sold by Lender in exempt transactions under such securities laws, as the same are from time to time in effect.

(iii) If Lender shall determine to exercise its right to sell all or any of the Pledged Equity pursuant to this Section, each Pledgor agrees that, upon request of Lender (which request may be made by Lender in its sole discretion), Pledgor will, at its own expense (A) execute and deliver, and cause each issuer of the Pledged Equity contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of Lender, advisable to register such Pledged Equity under the provisions of the Securities Act of 1933, as amended (the "Securities Act") and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of Lender, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto; (B) use its best efforts to qualify the Pledged Equity under all applicable state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Pledged Equity, as requested by Lender; (C) cause each such issuer to make available to its security holders, as soon as practicable, an earnings statement which will satisfy the provisions of Section 11(a) of the Securities Act; (D) do or cause to be done all such other acts and things as may be necessary to make such sale of the Pledged Equity or any part thereof valid and binding and in compliance with applicable law; and (E) bear all reasonable costs and expenses, including reasonable attorneys' fees, of carrying out its obligations under this Section.

(iv) In the event of any registered offering described herein, Pledgors agree jointly and severally, to indemnify and hold harmless Lender and each of its directors, officers, employees and agents from and against any loss, fee, cost, expense, damage, liability or claim, joint or several, to which any such Persons may become subject or for which any of them may be liable, under the Securities Act, or otherwise, insofar as such losses, fees, costs, expenses, damages, liabilities or claims (or any litigation commenced or threatened in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, registration statement, prospectus or other such document published or filed in connection with such registered offering, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse Lender and such other Persons for any legal or other expenses reasonably incurred by Lender and such other Persons in connection with any litigation, of any nature whatsoever, commenced or threatened in respect thereof (including any and all fees, costs and expenses whatsoever reasonably incurred by Lender and such other Persons and counsel for Lender and such other Persons in investigating, preparing for, defending against or providing evidence, producing documents or taking any other action in respect of, any such commenced or threatened litigation or any claims asserted). This indemnity shall be in addition to any liability which Pledgors may otherwise have and shall extend upon the same terms and conditions to each Person, if any, that controls Lender or such Persons with the meaning of such Securities Act.

5.2 Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held by the Lender as collateral for the

Secured Obligations, or then or at any time thereafter applied in accordance with the Loan Documents. If and when all Secured Obligations shall have been completely and finally satisfied in cash in full, there shall exist no continuing liability of any Pledgors with respect to the Secured Obligations and all commitments to extend credit under the Loan Documents shall have been irrevocably terminated (the "Termination Date"), any surplus of such cash or cash proceeds of the Collateral held by the Lender shall be paid over to the Pledgors or as otherwise required by law.

ARTICLE VI **MISCELLANEOUS**

6.1 Amendments, etc. No amendment to or waiver of any provision of this Agreement, nor any consent to any departure by any Pledgor herefrom, shall in any event be effective unless in a writing manually signed by the Lender and the Pledgors. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

6.2 No Implied Waiver; Remedies Cumulative. No failure of the Lender to exercise any right or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of the Lender under this Agreement are cumulative and not exclusive of any other rights or remedies available hereunder, under any other agreement, at law, or otherwise.

6.3 Notices. Except to the extent, if any, otherwise expressly provided herein, all notices and other communications (collectively, "notices") under this Agreement shall be made in accordance with the notice requirements set forth in the Loan Agreement. The Lender may rely on any notice (whether or not made in a manner contemplated by this Agreement) purportedly made by or on behalf of a Pledgor, and the Lender shall have no duty to verify the identity or authority of the Person giving such notice.

6.4 Indemnity and Expenses.

(a) **Indemnity.** Pledgors, jointly and severally, agree to indemnify the Lender from and against any and all claims, losses, liabilities and expenses (including reasonable attorneys' fees) arising out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses, liabilities and expenses resulting solely from the gross negligence or willful misconduct of the Lender.

(b) **Expenses.** The Pledgors, jointly and severally, agree to pay to the Lender, upon demand, the amount of all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Lender may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection of or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of the Lender hereunder, or (iv) the failure by any Pledgor to perform or observe any of the provisions hereof.

6.5 Entire Agreement. This Agreement, together with the Exhibits and the Schedules hereto, and the other Loan Documents, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements.

6.6 Survival. The obligations of the Pledgors under Section 6.4 shall survive the termination of this Agreement and all other events and conditions whatsoever. All representations and warranties of each Pledgor contained in or made in connection with this Agreement shall survive, and shall not be waived by, the execution and delivery of this Agreement, any investigation by or knowledge of the Lender, any extension of credit, termination of this Agreement or any other event or circumstance whatsoever.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all such counterparts shall constitute but one and the same agreement.

6.8 Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be in any way be affected or impaired thereby.

6.9 Headings. Section headings in the Agreement are included for convenience of reference only and shall not be given any substantive effect.

6.10 Successors and Assigns. This Agreement shall be binding upon each Pledgor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Lender and its successors and assigns. Without limitation of the foregoing and subject to the terms of the Loan Agreement, the Lender (and any successive assignee or transferee) from time to time may assign or otherwise transfer or create a participation interest in all or any portion of its rights or obligations under the Loan Documents (including all or any portion of any commitment to extend credit), or any Secured Obligations, to any other Person, and such Secured Obligations (including any Secured Obligations resulting from extension of credit by such other Person under or in connection with the Loan Documents) shall be and remain Secured Obligations entitled to the benefit of this Agreement, and to the extent of its interest in such Secured Obligations such other Person shall be vested with all the benefits in respect thereof granted to the Lender in this Agreement or otherwise.

6.11 Binding Effect. This Agreement shall be binding upon and inure to the benefit of Pledgors, the Lender and their respective successors and permitted assigns, except that Pledgors shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

6.12 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OHIO WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF OHIO.

6.13 Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/DEBTOR RELATIONSHIP THAT IS BEING ESTABLISHED.

6.14 Consent to Jurisdiction; Venue. All judicial proceedings brought against a Pledgor with respect to this Agreement and the Loan Documents may be brought in any state or federal court of competent jurisdiction in Columbus, Ohio, and by execution and delivery of this Agreement, each Pledgor accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Each Pledgor irrevocably waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section.

6.15 LIMITATION OF LIABILITY. TO THE FULLEST EXTENT PERMITTED BY LAW, NO CLAIM MAY BE MADE BY ANY PLEDGOR AGAINST THE LENDER OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF THE LENDER FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION OR EVENT IN CONNECTION WITH ANY OF THE FOREGOING (WHETHER BASED ON BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY); AND EACH PLEDGOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST.

IN WITNESS WHEREOF, Pledgors and Lender have caused this Pledge Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

The Pledgors:

AMERICAN RESOURCES CORPORATION

By: _____
Name: _____
Title: _____

QUEST ENERGY INC.

By: _____
Name: _____
Title: _____

The Lender:

ENCECO, INC.

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the Pledged Entities hereby acknowledge the terms of this Pledge Agreement as of the date first written above.

The Pledged Entities:

QUEST ENERGY INC.

By: _____
Name: _____
Title: _____

MCCOY ELKHORN COAL LLC

By: _____
Name: _____
Title: _____

KNOTT COUNTY COAL LLC

By: _____
Name: _____
Title: _____

DEANE MINING, LLC

By: _____
Name: _____
Title: _____

QUEST PROCESSING, LLC

By: _____
Name: _____
Title: _____

ERC MINING INDIANA CORPORATION

By: _____
Name: _____
Title: _____

SCHEDULE 1
TO
PLEDGE AGREEMENT

Pledged Equity

Name of Pledgor	Name of Company	Type of Interest	Certificated (Y/N)	# of Units and % of Total Outstanding Equity of the Company
American Resources Corporation	Quest Energy Inc.	Common	N	1,874 (100%)
Quest Energy Inc.	McCoy Elkhorn Coal LLC	Membership Interests	N	Sole Member (100%)
Quest Energy Inc.	Knott County Coal LLC	Membership Interests	N	Sole Member (100%)
Quest Energy Inc.	Deane Mining LLC	Membership Interests	N	Sole Member (100%)
Quest Energy Inc.	ERC Mining Indiana Corporation	Membership Interests	N	Sole Member (100%)
Quest Energy Inc.	Quest Processing LLC	Membership Interests	N	Sole Member (100%)

Execution Version

UNCONDITIONAL GUARANTY OF PAYMENT AND PERFORMANCE

THIS UNCONDITIONAL GUARANTY OF PAYMENT AND PERFORMANCE ("**Guaranty**") is made as of the 7th day of May 2018 by each of AMERICAN RESOURCES CORPORATION, MCCOY ELKHORN COAL LLC, KNOTT COUNTY COAL LLC, DEANE MINING LLC, ERC MINING INDIANA CORP., QUEST PROCESSING LLC and MARK C. JENSEN (each a "**Guarantor**" and collectively, the "**Guarantors**") jointly and severally, if more than one, in favor of ENCECO, INC. ("**Lender**").

ARTICLE I - BACKGROUND AND AGREEMENT

1.01 Background. Quest Energy Inc., a wholly owned direct subsidiary of American Resources Corporation ("**Borrower**") and Lender have entered into that certain Non-Negotiable, Secured Promissory Note in the principal amount of \$1,000,000, of even date herewith (as amended, restated, modified or supplemented from time to time, the "**Note**"), which Note secures Borrower's obligation to repurchase certain equipment conveyed to Lender pursuant to that certain Bill of Sale and Repurchase Agreement, of even date herewith, between Borrower and Lender (the "**Bill of Sale**"). The transactions contemplated by the Note and the Bill of Sale will be of substantial direct and indirect interest and advantage to the Guarantors as parent, direct or indirect subsidiaries of the Borrower. It is a condition of the Note and the Bill of Sale that this Guaranty be executed and delivered to Lender.

1.02 Statement of Agreement. For and in consideration of the sum of \$10.00 and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Guarantors, and for the purpose of seeking to induce the Lender to extend credit to Borrower, each Guarantor does hereby make the following guarantees to and agreements with Lender. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Loan Agreement.

ARTICLE II - GUARANTEES

2.01 Guaranty of Payment. Each Guarantor does hereby unconditionally guaranty to Lender and its successors, endorsees and assigns the prompt and full payment when due, whether by acceleration or otherwise, with such interest as may accrue thereon after any default or maturity thereof, and such prepayment premiums and other charges as may be due in connection therewith, all obligations under the Note, the Bill of Sale and any and all documents to be delivered pursuant thereto and/or in connection therewith, including without limit any mortgages, pledge agreements, security agreements and UCC filings (the Note and the Bill of Sale, together with all such agreements and documents, collectively the "**Loan Documents**"), whether such obligations now exist or arise hereafter (all such obligations are referred to herein as the "**Obligations**"). Guarantors' obligations hereunder are joint and several.

2.02 Guaranty of Performance. Each Guarantor does hereby unconditionally guarantee to Lender the full and prompt payment and performance of the Obligations.

2.03 Guarantor Obligations. Each Guarantor does hereby agree that if the amounts due under the Note and Bill of Sale are not paid by Borrower in accordance with their terms for any reason whatsoever, or if any and all sums which are now or may hereafter become due from Borrower to Lender under the Loan Documents are not paid by Borrower in accordance with their terms for any reason whatsoever, Guarantor will immediately make such payments. Each Guarantor further agrees to pay Lender all expenses actually paid or incurred by Lender in endeavoring to collect all or any portion of the indebtedness evidenced by the Loan Documents, to enforce any other obligations guaranteed hereby, or to enforce this Guaranty, (including, without limitation, all reasonable attorneys' fees and legal expenses actually incurred at ordinary hourly rates). The Lender and Guarantors agree to first exhaust the assets and Collateral of all Guarantors other than Mark C. Jensen first to satisfy any payments or performance under this Guaranty.

2.04 Loan Documents. The provisions of this Guaranty shall extend and be applicable to all renewals, replacements, amendments, extensions, consolidations and modifications of the Loan Documents, and any and all references herein to the Loan Documents or any of them shall be deemed to include any such renewals, replacements, amendments, extensions, consolidations or modifications thereof.

ARTICLE III - AGREEMENTS AND WARRANTIES

Each Guarantor represents and warrants to Lender as follows:

3.01 Organization. Such Guarantor is duly organized, validly existing and in good standing under the laws of the state of its formation, and has all requisite power and authority to own and operate its properties and to carry out its business. Such Guarantor is also duly qualified and in good standing in all applicable jurisdictions to carry on its business.

3.02 Authorization. The execution, delivery and performance by such Guarantor of the Loan Documents executed by it are within such Guarantor's powers and have been duly authorized by all necessary action.

3.03 No Conflict. The execution, delivery and performance by such Guarantor of the Loan Documents executed by it do not (i) violate such Guarantor's charter, by-laws, partnership agreement, limited liability company agreement or other organizational document, (ii) violate any Law applicable to such Guarantor or (iii) result in a breach of or a default under, or result in or require the imposition of a Lien pursuant to any contract binding on such Guarantor.

3.04 Governmental Consents. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Guarantor of the Loan Documents to which it is a party.

3.05 Validity. The Loan Documents to which it is a party are the binding obligations of such Guarantor, enforceable in accordance with their respective terms, except in each case as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

3.06 Consents. Such Guarantor hereby consents and agrees that Lender may at any time, and from time to time, without notice to or further consent from Guarantor, either with or without consideration, release and surrender any property or other security of any kind or nature whatsoever now or hereafter held by it or by any person or entity on its behalf or for its account, securing any indebtedness or liability hereby guaranteed (the "*Collateral*"); substitute for any Collateral held by or on behalf of Lender other collateral of like kind, or of any kind; make overadvances or increase the amount of the Note; agree to modify the terms of any one or more of the Loan Documents; extend or renew the Loan Documents for any period; grant release, compromises and indulgences with respect to any one or more of the Loan Documents and to any persons or entities now or hereafter liable thereunder or hereunder; release any other guarantor or endorser of or other person or entity liable upon the Note, the Bill of Sale or any other of the Loan Documents; or take or fail to take any action of any type whatsoever. No such action which Lender shall take or fail to take in connection with the Loan Documents or any Collateral, nor any course of dealing with Borrower or any other person, shall limit, impair or release Guarantor's obligations hereunder, affect this Guaranty in any way or afford Guarantor any recourse against Lender. Nothing contained in this section shall be construed to require Lender to take or refrain from taking any action referred to herein.

3.07 Waiver and Subordination. Until the Note is paid in full, Guarantor hereby expressly waives any right of contribution from or indemnity against Borrower, whether at law or in equity, arising from any payments made by Guarantor pursuant to the terms of this Guaranty, and Guarantor acknowledges that Guarantor has no right whatsoever to proceed against Borrower for reimbursement of any such payments. In connection with the foregoing, Guarantor, until the Note is paid in full, expressly waives (i) any and all rights of subrogation to Lender against Borrower, and (ii) any rights to enforce any remedy which Lender may have against Borrower and any rights to participate in any Collateral. In addition to and without in any way limiting the foregoing, Guarantor hereby subordinates any and all indebtedness of Borrower now or hereafter owed to Guarantor to all indebtedness of Borrower to Lender, and agrees with Lender that, until the Note is paid in full, Guarantor shall not demand or accept any payment of principal or interest from Borrower, shall not claim any offset or other reduction of Guarantor's obligations hereunder because of any such indebtedness and shall not take any action to obtain any of the Collateral.

3.08 Waiver of Defenses. Guarantor hereby waives and agrees not to assert or take advantage of any defense based upon:

- (a) any incapacity, lack of authority, death or disability of Guarantor or any other person or entity;
- (b) subject to Section 2.01, any failure of Lender to commence an action against Borrower or any other person or entity (including, without limitation, other guarantors, if any), or to file or enforce a claim against the estate (either in administration, bankruptcy, or any other proceeding) of Borrower or any other person or entity, whether or not demand is made upon Lender to file or enforce such claim;
- (c) any failure of Lender to give notice of the existence, creation or incurring of any new or additional indebtedness or other obligation or of any action or non-action on

the part of any other person or entity, in connection with the Loan Documents or any obligation hereby guaranteed;

(d) any failure on the part of Lender to ascertain the extent or nature of the Collateral or any insurance or other rights with respect thereto, or the liability of any party liable for the Loan Documents or the obligations evidenced or secured thereby, or any failure on the part of lender to disclose to Guarantor any facts it may now or hereafter know regarding Borrower, the Collateral, or such other parties;

(e) any lack of acceptance or notice of acceptance of this Guaranty by Lender;

(f) any lack of presentment, demand, protest, or notice of demand, protest or nonpayment with respect to any indebtedness or obligations under any of the Loan Documents;

(g) any lack of notice of disposition or of manner of disposition of any Collateral;

(h) any lack of other notices to which Guarantor might otherwise be entitled;

(i) failure to properly record any document or any other lack of due diligence by Lender in creating or perfecting a security interest in or collection, protection or realization upon any Collateral or in obtaining reimbursement or performance from any person or entity now or hereafter liable for the Loan Documents or any obligation secured thereby;

(j) any invalidity, irregularity or unenforceability, in whole or in part, of any one or more of the Loan Documents;

(k) the inaccuracy of any representation or other provision contained in any Loan Document;

(l) any sale or assignment of the Loan Documents, in whole or in part;

(m) any sale or assignment by Borrower of the Collateral, or any portion thereof, whether or not consented to by Lender;

(n) any lack of commercial reasonableness in dealing with Collateral;

(o) any deficiencies in the Collateral or any deficiency in the ability of Lender to collect or obtain performance from any persons or entities now or hereafter liable for the payment or performance of any obligation hereby guaranteed;

(p) an assertion or claim that the automatic stay provided by 11 U.S.C. § 362 (arising upon the voluntary or involuntary bankruptcy proceeding of Borrower), or any other stay provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, shall operate or be interpreted to stay, interdict, condition, reduce or

inhibit the ability of Lender to enforce any of its rights, whether now or hereafter acquired, which Lender may have against Guarantor or the Collateral;

(q) any modifications of the Loan Documents or any obligation of Borrower relating to the Loan by operation of law or by action of any court, whether pursuant to the Bankruptcy Reform Act of 1978, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, or otherwise; and

(r) any action, occurrence, event or matter consented to by Guarantor under Section 3.06 hereof, under any other provision hereof, or otherwise.

3.09 Liability of Guarantor. This is a guaranty of payment and not of collection. The liability of Guarantor under this Guaranty shall be direct and immediate and not conditional or contingent upon the pursuit of any remedies against Borrower or any other person (including, without limitation, other guarantors, if any), nor against the Collateral. Guarantor waives any right to require that an action be brought against Borrower or any other person or to require that resort be had to any Collateral or to any balance of any deposit account or credit on the books of Lender in favor of Borrower or any other person. In the event that, on account of the Bankruptcy Reform Act of 1978, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, Borrower shall be relieved of or fail to incur any debt, obligation or liability as provided in the Loan Documents, Guarantor shall nevertheless be fully liable therefor. In the event of a default under the Loan Documents, Lender shall have the right to enforce its rights, powers and remedies (including, without limitation, foreclosure of all or any portion of the Collateral) thereunder or hereunder, in any order, and all rights, powers and remedies available to Lender in such event shall be nonexclusive and cumulative of all other rights, powers and remedies provided thereunder or hereunder or by law or in equity. If the indebtedness and the obligations guaranteed hereby are partially paid or discharged by reason of the exercise of any of the remedies available to Lender, this Guaranty shall nevertheless remain in full force and effect, and Guarantor shall remain liable for all remaining indebtedness and obligations guaranteed hereby, even though any rights which Guarantor may have against Borrower may be destroyed or diminished by the exercise of any such remedy; and if the indebtedness and obligations guaranteed hereby are otherwise partially paid or discharged for any reason, including voluntary payment or prepayment, application of insurance proceeds or condemnation awards, additional financing or refinancing, or sale of the Collateral or a portion thereof, with or without the consent or cooperation of Lender, this Guaranty shall nevertheless remain in full force and effect, and Guarantor shall remain liable for all remaining indebtedness and obligations guaranteed hereby. Guarantor covenants and agrees that, upon the commencement of a voluntary or involuntary bankruptcy proceeding by or against Borrower, Guarantor shall not seek or cause Borrower or any other person or entity to seek a supplemental stay or other relief, whether injunctive or otherwise, pursuant to 11 U.S.C. § 105 or any other provision of the Bankruptcy Reform Act of 1978, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, to stay, interdict, condition, reduce or inhibit the ability of Lender to enforce any rights of Lender against Guarantor or the Collateral by virtue of this Guaranty or otherwise. No exculpatory or similar provision of the Loan Documents which limits, or relieves Borrower or any other person or entity from, any personal or direct liability

of Borrower under the Loan Documents shall limit or relieve Guarantor from any such liability, it being the intention of the parties hereto that Guarantor be liable for all obligations of the Borrower under any provision of the Loan Documents notwithstanding any such exculpatory or similar provision. The obligations of Guarantor and the rights of Lender hereunder are in addition to the obligations of Guarantor and the rights of Lender under any other guaranty or indemnity agreement given by Guarantor to Lender in connection with the Loan, and payments made under one guaranty or indemnity agreement shall not reduce the liabilities and obligations of Guarantor under any other guaranty or indemnity agreement.

3.10 Application of Payments. Guarantor hereby authorizes Lender, without notice to Guarantor, to apply all payments and credits received from Borrower or from Guarantor or realized from any security to the indebtedness, obligations and undertakings of Borrower (whether or not the same are the subject of this Guaranty) in such manner and in such priority as Lender in its sole judgment shall determine.

3.11 Financial Statements. Guarantor acknowledges that the Loan Documents require that Borrower provide or cause to be provided to Lender certain financial statements of Guarantor. Guarantor hereby agrees to provide to Lender all such financial statements in such form and at such times as is required under the provisions of the Loan Documents.

3.12 Warranties. Guarantor warrants and represents (a) that the execution and delivery of this Guaranty does not violate or constitute a breach of any agreement to which Guarantor is a party, or any applicable laws, and (b) that there is no litigation, claim, action or proceeding, pending or threatened, against Guarantor which would materially adversely affect the financial condition of Guarantor or the ability of Guarantor to fulfill all obligations of Guarantor hereunder, and (c) that all financial statements heretofore delivered by Guarantor to Lender are true and correct in all material respects as of the date thereof, and no material change has occurred in the financial condition of Guarantor since the date thereof.

3.13 Condition of Borrower. Guarantor warrants and represents that Guarantor is fully aware of the financial condition of Borrower and is executing and delivering this Guaranty based solely upon Guarantor's own independent investigation of all matters pertinent hereto, and that Guarantor is not relying in any manner upon any representation or statement of Lender. Guarantor warrants, represents and agrees that Guarantor is in a position to obtain, and Guarantor hereby assumes full responsibility for obtaining, any additional information concerning the financial condition of Borrower and any other matter pertinent hereto, and that Guarantor is not relying upon Lender to furnish, and shall have no right to require Lender to obtain or disclose, any information with respect to the indebtedness or obligations guaranteed hereby, the financial condition or character of Borrower or the ability of Borrower to pay the indebtedness or perform the obligations guaranteed hereby, the existence of any collateral or security for any or all of such indebtedness or obligations, the existence or nonexistence of any other guaranties of all or any part of such indebtedness or obligations, any actions or non-action on the part of Lender, Borrower or any other person or entity, or any other matter, fact or occurrence whatsoever. By executing this Guaranty, Guarantor acknowledges and knowingly accepts the full range of risks encompassed within a contract of guaranty.

ARTICLE IV - GENERAL CONDITIONS

4.01 Service of Process. Guarantor hereby (a) submits to personal jurisdiction in the State of Ohio for the enforcement of this Guaranty, and (b) waives any and all rights under the law of any state to object to jurisdiction within the State of Ohio for the purposes of litigation to enforce this Guaranty. In the event that such litigation is commenced, Guarantor agrees that service of process may be made, and personal jurisdiction over Guarantor obtained, by the serving of a copy of the summons and complaint upon Guarantor or Guarantor's appointed agent for service of process in the State of Ohio, whose name and address is as follows:

For all Guarantors:
9002 Technology Lane,
Fishers, Indiana 46038

Nothing contained herein, however, shall prevent Lender from bringing any action or exercising any rights against any security or against Guarantor personally, or against any property of Guarantor, within any other state. Initiating such proceeding or taking such action in any other state shall in no event constitute a waiver of the agreement contained herein that the law of the State of Ohio shall govern the rights and obligations of Guarantor and Lender hereunder or of the submission herein made by Guarantor to personal jurisdiction within the State of Ohio. The aforesaid means of obtaining personal jurisdiction and perfecting service of process are not intended to be exclusive but are cumulative and in addition to all other means of obtaining personal jurisdiction and perfecting service of process now or hereafter provided by the law of the State of Ohio.

4.02 Waiver of Rights. Guarantor hereby waives and renounces, to the fullest extent permitted by law, all rights to the benefits of any statute of limitations and any moratorium, reinstatement, marshalling, forbearance, valuation, stay, extension, redemption, appraisalment, exemption and homestead now or hereafter provided by the Constitution and laws of the United States of America and of each state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Guaranty.

4.03 Communications. Unless and except as otherwise specifically provided herein, any and all notices, elections, approvals, consents, demands, requests and responses thereto ("*Communications*") permitted or required to be given under this Guaranty shall be in writing, signed by or on behalf of the party giving the same, and shall be deemed to have been properly given and shall be effective upon the earlier of receipt thereof or deposit thereof in the United States mail, postage prepaid, certified with return receipt requested, to the other party at the address of such other party set forth herein below or at such other address within the continental United States as such other party may designate by notice specifically designated as a notice of change of address and given in accordance herewith; provided, however, that the time period in which a response to any Communication must be given shall commence on the date of receipt thereof, and provided further that no notice of change of address shall be effective with respect to Communications sent prior to the time of receipt thereof. Receipt of Communications under this Guaranty shall occur upon actual delivery (whether by mail, telecopy transmission,

messenger, courier service, or otherwise) to any person who is Guarantor or an officer or general partner of Guarantor at any location where such person may be found, or to an officer, partner, agent or employee of Guarantor or Lender, at the address of such party set forth herein below, subject to change as provided hereinabove. An attempted delivery in accordance with the foregoing, acceptance of which is refused or rejected, shall be deemed to be and shall constitute delivery; and an attempted delivery in accordance with the foregoing by mail, messenger, or courier service (whichever is chosen by the sender) which is not completed because of changed address of which no notice has been received by the sender in accordance with this provision shall also be deemed to be and constitute receipt. Any Communication, if given to Lender, must be addressed as follows, subject to change as provided hereinabove:

ENCECo, Inc.
c/o Charles A. Ebetino, Jr.
3694 Seaford Drive
Columbus, Ohio 43220
Email: cebetino@erpfuels.com

and, if given to Guarantor, must be addressed as provided in Section 4.01.

4.04 Irrevocability and Revival. This Guaranty shall be irrevocable by Guarantor and shall remain in effect until all indebtedness guaranteed hereby has been completely repaid and until Lender has no further obligation to make future advances under any of the Loan Documents. This Guaranty shall continue to be effective or be revived and reinstated, as the case may be, in the event that any payment received by Lender of any of the indebtedness guaranteed hereby is returned or rescinded by reason of any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors or for any other reason.

4.05 Limit of Validity. If from any circumstances whatsoever fulfillment of any provisions of this Guaranty, at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then *ipso facto* the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Guaranty that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity. The provisions of this section shall control every other provisions of this Guaranty.

4.06 Applicable Law. This Guaranty shall be interpreted, construed and enforced according to the laws of the State of Ohio.

4.07 Execution in Counterparts. This Guaranty may be executed in counterparts, each of which will be deemed to be an original and all of which, taken together, will be deemed to be one agreement. The obligations of each Guarantor under this Guaranty are joint and several with, and separate, independent and distinct from, the obligations of Borrower, any other Guarantor or any other person. Execution of this Guaranty by a Guarantor is effective against that Guarantor even though not executed by all other Guarantors and even if one or more Guarantors are subsequently released from the obligations set forth in this Guaranty.

4.08 Miscellaneous. Time is of the essence with respect to all obligations of Guarantor hereunder. This Guaranty may not be changed orally, and no obligation of Guarantor can be released or waived by Lender or any officer or agent of Lender, except by a writing signed by a duly authorized officer of Lender. The provisions of this Guaranty shall be binding upon Guarantor and the heirs, executors, legal representatives, successors, successors-in-title and assigns of Guarantor and shall inure to the benefit of Lender, the heirs, executors, legal representatives, successors, successors-in-title and assigns of Lender. This Guaranty shall in no event be impaired by any change which may arise by reason of the death of Borrower or Guarantor, if individuals, or by reason of the dissolution of Borrower or Guarantor, if Borrower or Guarantor is a corporation or partnership. Guarantor has executed this Guaranty individually and not as a partner of Borrower or any other guarantor. This Guaranty is not assignable by Lender. All personal pronouns used herein, whether used in the masculine, feminine or neuter gender, shall include all other genders; and the singular shall include the plural or vice versa. Titles of articles and sections are for convenience only and in no way define, limit, amplify or describe the scope or intent of any provisions hereof. If Guarantor is a partnership, all of the provisions hereof referring to Guarantor shall be construed to apply to each of the general partners thereof. This Guaranty contains the entire agreement between Guarantor and Lender relating to the guarantying of the Loan by Guarantor and supersedes entirely any and all prior written or oral agreements with respect thereto; and Guarantor and Lender acknowledge that there are no contemporaneous oral agreements with respect to the subject matter hereof.

[SIGNATURES CONTAINED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Guarantor has executed this Guaranty under seal as of the date first above written.

CORPORATION

GUARANTORS

AMERICAN RESOURCES

By: _____
Name: _____
Its: _____

MCCOY ELKHORN COAL LLC

By: _____
Name: _____
Its: _____

KNOTT COUNTY COAL LLC

By: _____
Name: _____
Its: _____

DEANE MINING LLC

By: _____
Name: _____
Its: _____

ERC MINING INDIANA CORP.

By: _____
Name: _____
Its: _____

QUEST PROCESSING LLC

By: _____
Name: _____
Its: _____

Mark Jensen

BILL OF SALE

THIS BILL OF SALE ("**Bill of Sale**") is entered into as of the 9th day of May, 2018, by and between **QUEST ENERGY INC.**, an Indiana corporation ("**Seller**"), and **ENCECO, INC.**, an Ohio subchapter S corporation ("**Buyer**").

WITNESSETH:

WHEREAS, Seller has agreed to sell, transfer and convey to Buyer all of Seller's title and interest in and to the equipment and machinery described in items 1-15 on Schedule A attached hereto ("the **Quest Equipment**"), subject to Seller's obligation to repurchase such Quest Equipment as provided in this Bill of Sale;

WHEREAS, Seller has entered into a Sale and Purchase Agreement with Callidus Capital Corporation ("**Callidus**"), dated May 3, 2018, related to the purchase of certain items of equipment shown as items 16 - 23 on Schedule A (the "**Callidus Equipment**" and, together with the Quest Equipment, collectively, the "**ENCECo Equipment**"), and the parties acknowledge that Buyer is acquiring the Callidus Equipment directly from Callidus for a purchase price of \$425,000;

WHEREAS, ENCECo has agreed to allow Seller to use the ENCECo Equipment, subject to Seller's agreement herein to acquire the ENCECo Equipment as provided in Section 6 below (the "**Repurchase Obligation**");

WHEREAS, as security for its obligations hereunder, including without limit its Repurchase Obligation, Seller has delivered to Buyer that certain Non-Negotiable, Secured Promissory Note, of even date herewith, in the principal amount of \$1,000,000 (the "**Note**"), which Note is secured by a first priority security interest in Seller's assets;

NOW, THEREFORE, for and in consideration of the payment by Buyer to Seller of Five Hundred Seventy-Five Thousand Dollars (\$575,000) for the Quest Equipment, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **CONVEYANCE BY SELLER.** Seller hereby sells, transfers, conveys and delivers to Buyer all of Seller's right, title and interest in and to the Quest Equipment.
2. **WARRANTY OF TITLE.** Seller hereby warrants that it owns the Quest Equipment and is transferring the Quest Equipment to Buyer free and clear of all liens and encumbrances.
3. **BINDING EFFECT.** This Bill of Sale shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.
4. **GOVERNING LAW.** This Bill of Sale shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of Ohio, without giving regard to its conflict of laws principles or rules.
5. **FURTHER ASSURANCES.** Each party agrees, upon the reasonable request of another party hereto, to promptly make, execute and deliver any and all documents or instruments of any kind

or character, and to promptly perform all such other actions, that may be reasonably necessary or proper to effectuate, confirm, perform or carry out the terms or provisions of this Bill of Sale, all without additional compensation or consideration.

6. **OBLIGATION TO REPURCHASE.** The parties agree that Seller shall be obligated to repurchase the ENCECo Equipment from Buyer for a purchase price of One Million Dollars (\$1,000,000.00) ("Purchase Price"), which Purchase Price shall be paid by Seller to Buyer in four equal monthly installments of \$250,000 on the fifteenth day of each consecutive calendar month, commencing June 15, 2018, provided, however, the first installment payment of \$250,000 may be extended to June 30, 2018 at the option of the Seller by paying a one-time fee of \$10,000 to the Buyer. Such repurchase shall be made on an "AS IS, WHERE IS" basis, without representation or warranty by Buyer, other than title.

7. **RIGHT TO USE.** Seller shall have the right to use the ENCECo Equipment until such time as the Purchase Price has been paid in full to Buyer. Seller shall pay to Buyer a monthly fee of Thirty Thousand Dollars (\$30,000) for such use of the ENCECo Equipment, which fee shall be paid on the fifteenth day of each calendar month, commencing June 15, 2018.

8. **INSURANCE.** Seller shall obtain and maintain at its own expense (as primary insurance for Seller and Buyer), property damage and liability insurance, issued by an A. M. Best rated carrier, which insures the ENCECo Equipment against loss or damage to the ENCECo Equipment including, without limitation, loss by fire (including so-called extended coverage), theft, collision and such other risks of loss as are customarily insured against on the type of equipment conveyed hereunder and by businesses in which Seller is engaged, in such amounts that the amount of insurance against loss or damage to the ENCECo Equipment shall be equal to or greater than the replacement value of the ENCECo Equipment. Each insurance policy shall name Buyer as an additional insured and loss payee thereof as the interests of Buyer may appear, shall contain cross-liability endorsements and shall contain a clause requiring the insurer to give the Buyer at least thirty (30) days prior written notice of any material alteration in the terms of such policy or of the cancellation thereof.

9. **CARE AND CUSTODY.** Seller shall be solely responsible for maintaining and repairing the ENCECo Equipment at all times such that it is in good repair, condition and working order, and shall furnish any and all parts, mechanisms, and devices, as specified by the manufacturer, required to keep the ENCECo Equipment in good repair, condition and working order and in compliance with all applicable laws, at the sole cost and expense of the Seller.

10. **TAXES, FEES AND EXPENSES.** Seller shall pay when due and shall indemnify and hold harmless Buyer from and against any and all taxes, fees, personal property taxes, transfer or conveyance or re-conveyance taxes, withholdings, levies, imposts, duties, assessments and charges of every kind and nature whatsoever (including any related penalties and interest) imposed upon or against Buyer, Seller or any ENCECo Equipment by any governmental authority in connection with, arising out of or otherwise related to ENCECo Equipment and receipts or earnings arising therefrom. Seller shall pay all reasonable costs and expenses of Buyer, including, without limitation, reasonable attorneys' and other professional fees, returned check or non-sufficient funds charges, processing fees, the fees of any collection agencies and appraisers and all other costs and expenses related to the initial sale, use and payment therefor.

and repurchase of the ENCECo Equipment (including storage costs) incurred by Buyer in enforcing any of the terms, conditions or provisions hereof or in protecting the ENCECo Equipment and Buyer's rights hereunder.

11. **DISCLAIMER.** SELLER SELLS THE QUEST EQUIPMENT TO BUYER "AS IS," "WHERE IS" AND "WITH ALL FAULTS" AND THAT ALL WARRANTIES OF CONDITION, MERCHANTABILITY OR FITNESS ARE DISCLAIMED. SELLER SPECIFICALLY DISCLAIMS AND MAKES NO REPRESENTATION AS TO WHETHER THE TRANSFERRED EQUIPMENT IS SUFFICIENT IN ANY WAY FOR ANY PARTICULAR PURPOSE INCLUDING, BUT NOT LIMITED TO, BUYER'S ABILITY TO CONDUCT MINING OPERATIONS WITH THE TRANSFERRED EQUIPMENT.

12. **ENTIRE AGREEMENT.** This Bill of Sale is an integral component of a comprehensive transaction which also includes the Note and the security agreements and other agreements contemplated thereby (collectively, the "Loan Documents"). without each of which the parties would not have entered into this transaction, and as such, this Bill of Sale, the Note and the Loan Documents constitute one agreement. Except as provided in the foregoing sentence, all prior negotiations and agreements by and among the parties hereto with respect to the subject matter hereof are superseded by this Bill of Sale, and there are no representations, warranties, understandings or agreements with respect to the subject matter hereof other than those expressly set forth in this Bill of Sale. This Bill of Sale, together with the Note and the Loan Documents, once executed and delivered, constitute the entire agreement between the parties with respect to the subject matter hereof and may not be changed, terminated or discharged except by writing duly executed by the parties hereto.

13. **AMENDMENT AND WAIVER.** No change, termination or attempted waiver of any of the provisions of this Bill of Sale shall be binding upon any party, unless in writing, duly executed by each party or its duly authorized representative.

14. **HEADINGS.** Section headings are not to be considered part of this Bill of Sale, are solely for the convenience of reference, and shall not affect the meaning or interpretation of this Bill of Sale or any provision in it.

15. **COUNTERPARTS.** This Bill of Sale may be executed in any number of counterparts, each of which shall be deemed an original but all of which taken together will constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Bill of Sale by facsimile transmission, e-mail, or other means of electronic transfer shall be effective as delivery of a manually executed counterpart. Any party so executing this Bill of Sale by electronic transfer shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by electronic transfer.

IN WITNESS WHEREOF, the parties have executed this Bill of Sale effective as of the date first written above.

QUEST ENERGY INC.

By: _____

Its: _____

ENCECO, INC.

By: _____

Its: _____

ACKNOWLEDGED BY:

AMERICAN RESOURCES CORPORATION

By: _____

Its: _____