

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

American Resources Corp

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

FORM S-1/A
(Amendment No. 7)
REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

American Resources Corporation

(Exact name of registrant as specified in its charter)

Florida **1200** **46-3914127**
(State or other jurisdiction of incorporation (Primary Standard Industrial Classification (I.R.S. Employer Identification Number)
or organization) Code Number)

9002 Technology Lane
Fishers, IN 46038
Tel.: (317) 855-9926
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☒
Emerging Growth Company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☒

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DRAFT DATED FEBRUARY 14, 2019
PRELIMINARY PROSPECTUS

[] Shares



American Resources Corporation

Class A Common Stock

This is a public offering of the Class A Common stock (or also referred to as “common stock”) of American Resources Corporation, a Florida corporation. Prior to this offering, there has been limited public market for our common stock on the OTC Markets under the ticker AREC. We are selling up to [] shares of common stock. There are no selling shareholders in this offering.

Our common stock is currently quoted on the OTC Market Group, Inc.’s OTC Pink tier under the symbol “AREC”. On February 13, 2019, the last reported sale price of our common stock was \$12.50 per share. We expect the public offering price per share in this offering will be between \$4.00 to \$6.00. We have applied to list our common stock on The NASDAQ Capital Market under the symbol “AREC”. No assurance can be given that our application will be approved.

We are an “emerging growth company” as that term is used in the Jumpstart Our Business Startups Act of 2012, and as such, we have elected to take advantage of certain reduced public company reporting requirements for this prospectus and future filings. See “Risk Factors” and “Prospectus Summary—Emerging Growth Company.”

Investing in our common stock involves risks. See “Risk Factors” on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ []	\$ []
Underwriting discount(1)	\$ []	\$ []
Proceeds before expenses	\$ []	\$ 4, []

(1) In addition to the underwriting discount, we have agreed to issue to the representative of the underwriters warrants to purchase a number of shares of common stock equal to 7% of the total number of shares being sold in the offering, including the over-allotments, if any, and to reimburse the underwriters for expenses incurred by them. See “Underwriting” beginning on page 51 of this prospectus for additional information regarding total underwriter compensation.

We have granted the underwriters the option for a period of 45 days to purchase additional shares of common stock (up to 15.0% of the number of shares of common stock sold in the primary offering) solely to cover over-allotments, if any (the “Over-Allotment”).

The underwriters expect to deliver our shares to purchasers in the offering on or about February 14, 2019, subject to customary closing conditions.

MAXIM GROUP, LLC
Lead Bookrunning Manager

The date of this prospectus is **February 14, 2019**

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS	4
OTHER INFORMATION	4
PROSPECTUS SUMMARY	5
RISK FACTORS	8
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	41
USE OF PROCEEDS	44
CAPITALIZATION	45
INFORMATION WITH RESPECT TO THE REGISTRANT	46
DESCRIPTION OF PROPERTY	65
MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	65
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	66
DIRECTORS AND EXECUTIVE OFFICERS	87
EXECUTIVE COMPENSATION	91
DESCRIPTION OF SECURITIES	93
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	96
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, DIRECTOR INDEPENDENCE	97
UNDERWRITING	99
DETERMINATION OF OFFERING PRICE	102
INTERESTS OF NAMED EXPERTS AND COUNSEL	103
WHERE YOU CAN FIND MORE INFORMATION	104
DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES	104
INDEX TO FINANCIAL STATEMENTS	F-1

You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on behalf of us or the information to which we have referred you. Neither we, nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus and any free writing prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."

Certain Terms Used in this Prospectus

All references in this prospectus to:

- “American Resources Corporation,” the “Company,” “ARC,” “AREC,” “us,” “we,” “our,” or “ours” or like terms when used in the present tense or prospectively refer to American Resources Corporation and its subsidiaries, including its wholly-owned subsidiary, Quest Energy Inc. American Resources Corporation is the issuer in this offering.
- “Common shares,” “common stock” or “Common Stock” refers to the Class A common stock of the Company, par value \$0.0001, as defined in the Company’s Articles of Incorporation, as amended. There is no other class of common shares of the Company authorized or issued other than the Class A common stock. The term “stock” and “shares” are used interchangeably.
- “Coal mining permits” refers to permits from Kentucky Department of Natural Resources or Indiana Department of Natural Resources (as the case may be) and includes permits for coal extraction, processing, rail loading, and storage of refuse and/or slurry.
- Tons refer to short tons, unless otherwise indicated.
- We have not classified the coal we control as either “proven” or “probable” as defined in the United States Securities and Exchange Commission Industry Guide 7, and as a result, do not have any “proven” or “probable” reserves under such definition and are classified as an “Exploration Stage” pursuant to Industry Guide 7. Therefore, any references to coal in this filing refers to an undetermined coal deposit that has not been deemed proven or probable.

ABOUT THIS PROSPECTUS

You should only rely on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information otherwise. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

OTHER INFORMATION

Our website address is www.americanresourcescorp.com. We expect to make our periodic reports and other information filed with or furnished to the Securities Exchange Commission (“SEC”), available free of charge through a link on our website as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into, and does not constitute a part of, this prospectus.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the information under the headings “Risk Factors,” “Cautionary Statement Regarding Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and the notes to those financial statements appearing elsewhere in this prospectus. The information presented in this prospectus assumes a public offering price of \$4.00 per common share.

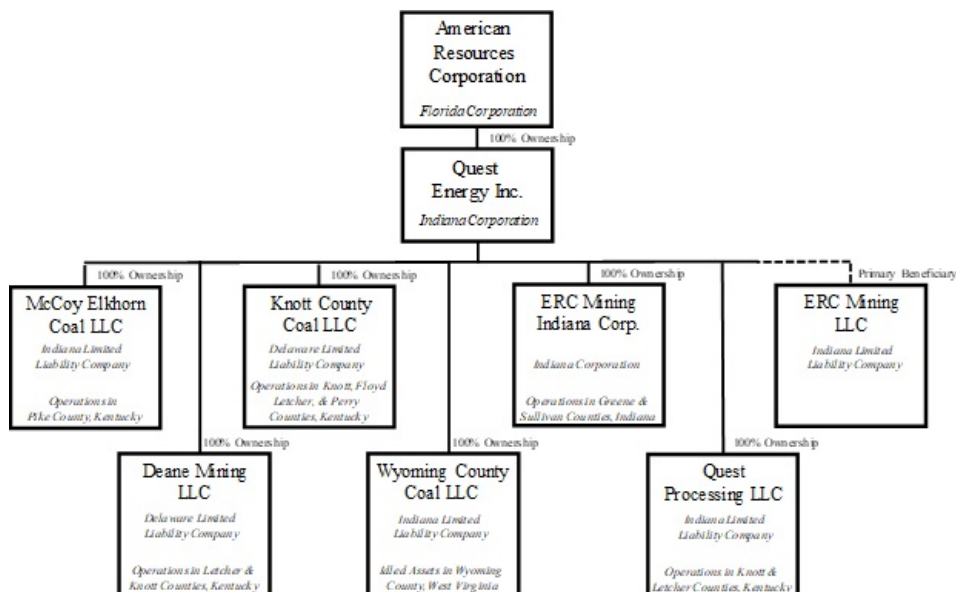
About Us

We are a low-cost producer of primarily high-quality, metallurgical coal in eastern Kentucky. We began our Company on October 2, 2013 and changed our name from Natural Gas Fueling and Conversion Inc. to NGFC Equities, Inc. on February 25, 2015, and then changed our name from NGFC Equities, Inc. to American Resources Corporation on February 17, 2017. On January 5, 2017, ARC executed a Share Exchange Agreement between the Company and Quest Energy Inc., a private company incorporated in the State of Indiana with offices at 9002 Technology Lane, Fishers IN 46038, and due to the fulfillment of various conditions precedent to closing of the transaction, the control of the Company was transferred to the Quest Energy shareholders on February 7, 2017 resulting in Quest Energy becoming a wholly-owned subsidiary of ARC. Through its wholly-owned subsidiary Quest Energy, which is an Indiana corporation founded in June 2015, ARC was able to acquire coal mining and coal processing operations, substantially all located in eastern Kentucky. A majority of our domestic and international target customer base includes blast furnace steel mills and coke plants, as well as international metallurgical coal consumers, domestic electricity generation utilities, and other industrial customers.

We achieved initial commercial production of metallurgical coal in September 2016 from our McCoy Elkhorn Mine #15 and from our McCoy Elkhorn Carnegie 1 Mine in March 2017. In October 2017 we achieved commercial production of thermal coal from our Deane Mining Access Energy Mine and from our Deane Mining Razorblade Surface Mine in May 2018. We believe that we will be able to take advantage of recent increases in U.S. and global benchmark metallurgical and thermal coal prices and intend to opportunistically increase the amount of our projected production that is directed to the export market to capture favorable differentials between domestic and global benchmark prices. The Company commenced operations of two out of four of its internally owned preparation plants in July of 2016 (Bevins #1 and Bevins #2 Prep Plants at McCoy Elkhorn), with a third preparation plant commencing operation in October 2017 (Mill Creek Prep Plant at Deane Mining). Pursuant to the definitions in Paragraph (a) (4) of the Securities and Exchange Commission’s Industry Guide 7, our company and its business activities are deemed to be in the exploration stage until mineral reserves are defined on our properties.

Current Projects

Quest Energy has six coal mining and processing operating subsidiaries: McCoy Elkhorn Coal LLC (doing business as McCoy Elkhorn Coal Company, “McCoy Elkhorn”), Knott County Coal LLC (“Knott County Coal”), Deane Mining LLC (“Deane Mining”), ERC Mining Indiana Corporation (“ERC”), Wyoming County Coal LLC (“Wyoming County Coal”), and Quest Processing LLC (“Quest Processing”), all of which are located in eastern Kentucky and West Virginia within the Central Appalachian coal basin, with the exception of ERC Mining Indiana Corporation, which is located in southwestern Indiana in the Illinois coal basin. Below is an organizational and ownership chart of our Company.



The coal deposits under control by the Company generally comprise of metallurgical coal (used for steel making), pulverized coal injections ("PCI", used in the steel making process) and high-BTU, low sulfur, low moisture bituminous coal used for a variety of uses within several industries, including industrial customers, specialty products and thermal coal used for electricity generation.

Emerging Growth Company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"). For as long as we are an emerging growth company, unlike public companies that are not emerging growth companies under the JOBS Act, we will not be required to:

- provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002;
- provide more than two years of audited financial statements and related management's discussion and analysis of financial condition and results of operations;
- comply with any new requirements adopted by the Public Company Accounting Oversight Board (the "PCAOB") requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- provide certain disclosure regarding executive compensation required of larger public companies or hold stockholder advisory votes on the executive compensation required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"); or
- obtain stockholder approval of any golden parachute payments not previously approved.

We will cease to be an emerging growth company upon the earliest of:

- the last day of the fiscal year in which we have \$1.0 billion or more in annual revenues;
- the date on which we become a "large accelerated filer" (the fiscal year-end on which the total market value of our common equity securities held by non-affiliates is \$700 million or more as of our most recently completed second fiscal quarter);
- the date on which we issue more than \$1.0 billion of non-convertible debt over a three-year period; or
- the last day of the fiscal year following the fifth anniversary of our initial public offering.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards, but we intend to irrevocably opt out of the extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates in which adoption of such standards is required for other public companies.

Total common stock offered by the Company

Up to [] shares of Class A Common Stock, assuming the underwriter's Over-Allotment option is fully exercised.

Use of proceeds

We expect to receive approximately \$4,000,000 of gross proceeds, based upon the offering price of \$[] per share, and after deducting the underwriting discount of \$280,000, we expect to receive approximately \$3,720,000. If the underwriters fully exercise their right to purchase additional shares of common stock, we estimate that we will receive gross proceeds of \$4,600,000 from the sale of the common stock and net proceeds of \$4,278,000 after deducting \$322,000 for underwriting discounts and commissions. The Company will use the proceeds of this offering to fund organic and acquisitive growth and other uses as described in the "Use of Proceeds" section. The Company will use the proceeds, among other things, to initiate coal production on certain permits the Company owns and act upon certain acquisition opportunities, both those that are in close proximity to our current operations and those that would create another "hub" from which we can enhance business expansion. We have not yet made final investment decisions with respect to any of these potential projects and we cannot currently allocate specific percentages of the net proceeds that we may use for the purposes described above.

Please read "Use of Proceeds."

Dividend policy

While we have not paid any dividends on our common stock since our inception, our longer-term objective is to pay dividends in order to enhance stockholder returns when the Board of Directors deems such action as in the best interest of its shareholders. Please read "Dividend Policy."

Listing and trading symbol

Currently our stock is listed on the OTC Markets OTC Pink tier under the ticker "AREC". We have applied for a listing on the NASDAQ Capital Market under the symbol "AREC".

Risk factors

You should carefully read and consider the information set forth under the heading "Risk Factors" and all other information set forth in this prospectus before deciding to invest in our common stock.

The information above does not include 4,000,000 shares of Class A Common Stock reserved for issuance pursuant to the Employee Incentive Stock Option Plan, 636,830 of which are issued as of the date of this document.

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the information in this prospectus, including the matters addressed under "Cautionary Statement Regarding Forward-Looking Statements," and the following risks before making an investment decision. The trading price of our common stock could decline and our ability to pay dividends may be reduced due to any of these risks, and you may lose all or part of your investment.

Risks Associated with Small Company Size and Liquidity Risks

As a start-up or development stage company, our business and prospects are difficult to evaluate because we have a very limited operating history and our business model is evolving, an investment in us is considered a high-risk investment whereby you could lose your entire investment.

We have recently commenced operations and, therefore, we are considered a "start-up" or "development stage" company. We have had limited income from the sale of the coal from our mining operations. We will incur significant expenses in order to implement our business plan. As an investor, you should be aware of the difficulties, delays and expenses normally encountered by an enterprise in its development stage, many of which are beyond our control, including unanticipated developmental expenses, and advertising and marketing expenses. We cannot assure you that our proposed business plan will materialize or prove successful, or that we will ever be able to operate profitably. If we cannot operate profitably, you could lose your entire investment.

We have limited assets, have incurred operating losses and have limited current sources of revenue.

We have limited assets and limited revenues since our inception in 2015. Since our inception, we have incurred annual operating losses. As of the end of the 9 months ending on September 30, 2018, our unaudited net loss from operations was \$8,869,858. We have only recently started generating revenue and such revenue is concentrated among a small number of customers and a small number of operations. We can provide no assurance that any of our current or future assets will produce any material revenues for our stockholders, or that any such business will operate on a profitable basis.

Our results of operations have not resulted in profitability and we may not be able to achieve profitability going forward.

We have had net losses in each quarter since our inception. We expect that we will continue to incur net losses for the foreseeable future. We may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, we may not be able to achieve or maintain profitability. Our business is early development stage, consisting of the development, marketing, and sale of our coal. There is no assurance that even if we successfully implement our business plan, that we will be able to curtail our losses. Further, as we are a development stage enterprise, we expect that net losses and the working capital deficiency will continue. If we incur additional significant operating losses, our stock price may decline, perhaps significantly.

We have yet to achieve positive cash flow and, given our projected funding needs, our ability to generate positive cash flow is uncertain.

We have had unaudited negative cash flow from operating activities of \$4,076,157 for the 9 months ending on September 30, 2018. We anticipate that we will continue to have negative cash flow from operating and investing activities for the foreseeable future as we expect to incur increased coal mining development expenses and make significant capital expenditures in our efforts to commence mining operations at our various permit sites. Our business also will at times require significant amounts of working capital to support our growth, particularly as we acquire infrastructure and equipment to support our new mining operations. An inability to generate positive cash flow for the foreseeable future may adversely affect our ability to raise needed capital for our business on reasonable terms, diminish supplier or customer willingness to enter into transactions with us, and have other adverse effects that may decrease our long-term viability. There can be no assurance we will achieve positive cash flow in the foreseeable future.

We may need access to additional financing, which may not be available to us on acceptable terms or at all, and there is a substantial doubt about our ability to continue as a going concern. If we cannot access additional financing when we need it and on acceptable terms, our business, prospects, financial condition, operating results and ability to continue as a going concern could be adversely affected.

Our growth-oriented business plan to mine and sell coal from our various permits and facilities will require significant continued capital investment. Our independent registered public accounting firm for the fiscal year ended December 31, 2016 and December 31, 2017, has included an explanatory paragraph in their opinion that accompanies our audited consolidated financial statements as of and for those years indicating that our current liquidity position raises substantial doubt about our ability to continue as a going concern. If we are unable to improve our liquidity position, we may not be able to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result if we are unable to continue as a going concern and, therefore, be required to realize our assets and discharge our liabilities other than in the normal course of business which could cause investors to suffer the loss of all or a substantial portion of their investment. We cannot be certain that additional financing will be available to us on favorable terms when required, or at all, particularly given that we do not now have a committed credit facility with any government or financial institution. If we cannot obtain additional financing when we need it and on terms acceptable to us, our business, prospects, financial condition, operating results and ability to continue as a going concern could be adversely affected.

We do not have any existing bank credit facilities. Our ability to obtain such financing may be limited and if we are unable to secure such financing, our profitability may be adversely affected.

We do not have any existing bank credit facilities. Our ability to obtain such financing may be limited as banks and other financial institutions may be reluctant to extend credit to businesses they perceive as lacking prolonged operating histories, an industry that may be politically undesirable, and limited information relating to revenues and costs upon which they can evaluate the merits and risks of any such credit extension. Our inability to secure bank credit facilities (or some other form of cash/liquid injection) may have an adverse effect on our results of operations. Due to our limited operating history and limited assets, and the lag often existing between commencing business operations and profitability, in the absence of such bank financing, we may be forced to rely solely on revenues generated from our business operations in order to support our company, which revenues may not be sufficient to meet our operating and administrative expenses. If we do not have sufficient cash to meet our expenses, whether from revenues or bank credit, we may have to curtail or cease business operations.

We have identified several material weaknesses in our internal control over financial reporting. If our remediation of these material weaknesses is not effective, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our securities.

In connection with the audit of our financial statements beginning on page F-1, the Company identified several material weaknesses in its internal control over financial reporting. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected on a timely basis. Below are the material weakness identified:

- Insufficient number of staff performing the accounting and financial reporting functions; and
- Lack of timely reconciliations;

Neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In light of the material weaknesses that were identified, we believe that it is possible that additional material weaknesses and control deficiencies may have been identified if such an evaluation had been performed.

The Company is working to remediate the material weaknesses, has taken steps to enhance the internal control environment, and plans to take additional steps to remediate the material weaknesses. Specifically, we are:

- seeking technically competent staff with appropriate experience;
- designing additional controls around identification, documentation and application of technical accounting guidance regarding reconciliation of account discrepancies.

The actions that we are taking are subject to ongoing senior management review as well as audit committee oversight. Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take, and our efforts may not be successful in remediating these material weaknesses. In addition, we will incur additional costs in improving our internal control over financial reporting. If we are unable to successfully remediate these material weaknesses or if we identify additional material weaknesses, we may not detect errors on a timely basis. This could harm our operating results, cause us to fail to meet our SEC reporting obligations or NASDAQ Capital Market listing requirements on a timely basis, adversely affect our reputation, cause our stock price to decline or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements.

In addition to the remediation efforts related to the material weaknesses described above, we are in the process of designing and implementing the internal control over financial reporting required to comply with Section 404 of the Sarbanes Oxley Act. This process will be time consuming, costly and complicated. If during the evaluation and testing process, we identify one or more other material weaknesses in our internal control over financial reporting, our management will be unable to assert that our internal control over financial reporting is effective. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed. If we are unable to assert that our internal control over financial reporting is effective, or when required in the future, if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We have never declared or paid a cash dividend on our common shares nor will we in the foreseeable future.

You will not receive dividend income from an investment in the shares and as a result, the purchase of the shares should only be made by an investor who does not expect a dividend return on the investment.

Our Series B preferred stock, however, received an 8.0% annual dividend, of which an accrued amount is recorded of \$104,157, as of September 30, 2018, and continued to accrue to the Series B preferred stock holder at the same rate until all Series B preferred stock was converted to common stock on November 7, 2018. On November 8, 2018, we filed an amendment to the company's Articles of Incorporation that eliminated the Series B preferred stock and created a new Series C preferred stock. The Series C preferred stock accrues a 10.0% annual dividend, compounded annually, of which no amount has been recorded yet as being accrued.

With the potential exception of the Series C preferred stock dividend referenced above, we currently intend to retain future earnings, if any, to finance the operation and expansion of our business. Accordingly, investors who anticipate the need for immediate income from their investments by way of cash dividends should refrain from purchasing any of our securities. As we do not intend to declare dividends in the future, you may never see a return on your investment and you indeed may lose your entire investment.

We will incur professional fees in connection with being a reporting company under the Securities Exchange Act of 1934, as amended.

Our Company is subject to the reporting requirements of the 1934 Act and as such, we are required to file 10-Ks, 10-Qs and 8-Ks and other reports with the Securities and Exchange Commission. We will incur professional fees (i.e., attorney, auditors and filing agents) in connection with the preparation and filing of such reports and we currently anticipate such costs to range from \$25,000 to \$50,000 per year. If we are unable to file such reports, we will be delinquent in our filings which could adversely affect the marketability of the Shares.

The failure to comply with the internal control evaluation and certification requirements of Section 404 of Sarbanes-Oxley Act could harm our operations and our ability to comply with our periodic reporting obligations.

As a reporting company under the 1934 Act, we are required to comply with the internal control evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act of 2002. We are in the process of determining whether our existing internal controls over financial reporting systems are compliant with Section 404. This process may divert internal resources and will take a significant amount of time, effort and expense to complete. If it is determined that we are not in compliance with Section 404, we may be required to implement new internal control procedures and reevaluate our financial reporting. We may experience higher than anticipated operating expenses as well as outside auditor fees during the implementation of these changes and thereafter. Further, we may need to hire additional qualified personnel in order for us to be compliant with Section 404. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in our being unable to obtain an unqualified report on internal controls from our independent auditors, which could adversely affect our ability to comply with our periodic reporting obligations under the 1934 Act.

Future sales of restricted shares could decrease the price a willing buyer would pay for shares of our common stock, could cause our price to decline and could impair our ability to raise capital.

Future sales of common stock by existing shareholders or a new issuance by the Company under exemptions from registration or through a subsequent registered offering could materially adversely affect the market price of our common stock and could materially impair our future ability to raise capital through an offering of equity securities. We are unable to predict the effect, if any, that market sales of these shares, or the availability of these shares for future sale, will have on the prevailing market price of our common stock at any given time.

You may not be able to resell any shares you purchased.

There is an extremely limited trading market for our common stock at present. There is no assurance that any trading market will be present. This means that it may be hard or impossible for you to find a willing buyer for your shares should you decide to sell them in the future.

Risks Related to Our Business

The majority of our properties have not yet been developed into producing coal mines and, if we experience any development delays or cost increases, our business, financial condition, and results of operations could be adversely affected.

We have not yet completed our development plan and do not expect to have full annual production from all of our properties until sometime in the future. We expect to incur significant capital expenditures until we have completed the development of our properties. In addition, the development of our properties involves numerous regulatory, environmental, political and legal uncertainties that are beyond our control and that may cause delays in, or increase the costs associated with, their completion. Accordingly, we may not be able to complete the development of the properties on schedule, at the budgeted cost or at all, and any delays beyond the expected development periods or increased costs above those expected to be incurred could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

In connection with the development of our properties, we may encounter unexpected difficulties, including the following:

- shortages of materials or delays in delivery of materials;
- unexpected operational events;
- facility or equipment malfunctions or breakdowns;
- unusual or unexpected adverse geological conditions;
- cost overruns;
- failure to obtain, or delays in obtaining, all necessary governmental and third-party rights-of-way, easements, permits, licenses and approvals for the development, construction and operation of one or more of our properties;
- weather conditions and other catastrophes, such as explosions, fires, floods and accidents;
- difficulties in attracting a sufficient skilled and unskilled workforce, increases in the level of labor costs and the existence of any labor disputes; and
- local and general economic and infrastructure conditions.

If we are unable to complete or are substantially delayed in completing the development of any of our properties, our business, financial condition, results of operations cash flows and ability to pay dividends to our common stockholders could be adversely affected.

Because we have limited operating history and have not yet generated significant revenues or operating cash flows, you may have difficulty evaluating our ability to successfully implement our business strategy.

Because of our limited operating history, the operating performance of our properties and our business strategy have not yet been proven. As a result, our historical financial statements do not provide a meaningful basis to evaluate our operations or our ability to achieve our business strategy. Therefore, it may be difficult for you to evaluate our business and results of operations to date and assess our future prospects.

In addition, we may encounter risks and difficulties experienced by companies whose performance is dependent upon newly-constructed or newly-acquired assets, such as any one of our properties failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, or suffering equipment breakdown, failures or operational errors. We may be less successful in achieving a consistent operating level capable of generating cash flows from our operations as compared to a company whose major assets have had longer operating histories. In addition, we may be less equipped to identify and address operating risks and hazards in the conduct of our business than those companies whose major assets have had longer operating histories.

We have limited operating history and our future performance is uncertain.

We are an early stage enterprise and will continue to be so until commencement of substantial production from our coal properties. We have only recently commenced limited production at one of our properties. We have generated substantial net losses and negative cash flows from operating activities since our inception and expect to continue to incur substantial net losses as we continue our mine development program. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of our future activities. New companies must develop successful business relationships, establish operating procedures, hire staff, install management information and other systems, establish facilities and obtain licenses, as well as take other measures necessary to conduct their intended business activities. We may not be successful in implementing our business strategies or in completing the development of the infrastructure necessary to conduct our business as planned. In the event that one or more of our mine development programs are not completed or are delayed or terminated, our operating results will be adversely affected and our operations will differ materially from the activities described in this prospectus. As a result of industry factors or factors relating specifically to us, we may have to change our methods of conducting business, which may cause a material adverse effect on our results of operations, financial condition and ability to pay dividends to our common stockholders.

We will likely depend on a limited number of customers for a significant portion of our revenues.

We will likely depend on a limited number of customers for a significant portion of our revenues. The failure to obtain additional customers or the loss of all or a portion of the revenues attributable to any customer as a result of competition, creditworthiness, inability to negotiate extensions or replacement of contracts or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

We expect that our customer base will be highly dependent on a small number of customers.

The majority of all of the coal that we produce, or plan to produce, is sold to steel producers. Therefore, demand for our coal will be highly correlated to the steel industry. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. A significant reduction in the demand for steel products would reduce the demand for metallurgical coal, which would have a material adverse effect upon our business, cash flows and results of operations. Similarly, if less expensive ingredients could be used in substitution for metallurgical coal in the integrated steel mill process, the demand for metallurgical coal would materially decrease, which would also materially adversely affect demand for our metallurgical coal.

We do not expect to enter into long-term sales contracts for our coal and as a result we will be exposed to fluctuations in market pricing.

Sales commitments for our coal typically are not long-term in nature and are generally no longer than one year in duration. Many coal transactions in the U.S. are done on a calendar year basis, where both prices and volumes are fixed in the third and fourth quarter for the following calendar year. Globally the market is evolving to shorter term pricing. Some annual contracts have shifted to quarterly contracts and growing volumes are being sold on an indexed basis, where prices are determined by averaging the leading spot indexes reported in the market. As a result, once we commence operations and enter into agreements with customers, we will be subject to fluctuations in market pricing. We will not be protected from oversupply or market conditions where we cannot sell our coal at economic prices. Metallurgical coal has been an extremely volatile commodity over the past ten years and prices may become volatile again in the future given the recent rapid increase. There can be no assurances we will be able to mitigate such conditions as they arise. Any sustained failure to be able to market our coal during such periods would have a material adverse effect on our business, results of operations, cash flows and ability to pay dividends to our common stockholders.

Product alternatives may reduce demand for our products.

The majority of our coal production in the near term will be comprised of metallurgical coal or pulverized coal injection (PCI), both which typically command a price premium over the majority of other forms of coal because of its use in blast furnaces for steel production. Metallurgical coal has specific physical and chemical properties, which are necessary for efficient blast furnace operation. Steel producers are continually investigating alternative steel production technologies with a view to reducing production costs. The steel industry has increased utilization of electric arc furnaces or pulverized coal injection processes, which reduce or eliminate the use of furnace coke, an intermediate product produced from metallurgical coal and, in turn, generally decreases the demand for metallurgical coal. Many alternative technologies are designed to use lower quality coals or other sources of carbon instead of higher cost high-quality metallurgical coal. While conventional blast furnace technology has been the most economic large-scale steel production technology for a number of years, and emergent technologies typically take many years to commercialize, there can be no assurance that over the longer term competitive technologies not reliant on metallurgical coal could emerge which could reduce the demand and price premiums for metallurgical coal.

Moreover, we may produce and market other coal products, such as thermal coal, which are also subject to alternative competition. Alternative technologies are continually being investigated and developed in order to reduce production costs or minimize environmental or social impact. If competitive technologies emerge that use other materials in place of our products, demand and price for our products might fall.

We face uncertainties in estimating our economically recoverable coal deposits, and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs and decreased profitability.

Coal is economically recoverable when the price at which coal can be sold exceeds the costs and expenses of mining and selling the coal. Forecasts of our future performance are based on, among other things, estimates of our recoverable coal deposits. We base our coal deposit information on geologic data, coal ownership information and current and proposed mine plans. We have not independently verified any of the coal deposit information, including coal qualities within the coal deposit areas, coal heights, and deposit boundaries, and our information comes primarily from previously prepared reports by prior management and other third parties. Coal deposit estimates are periodically updated to reflect past coal production, if any, new drilling information, other geologic or mining data, and changes to coal price expectations or the cost of production and sale. There are numerous uncertainties inherent in estimating quantities and qualities of coal and costs to mine coal, including many factors beyond our control. As a result, estimates of economically recoverable coal deposits are by their nature uncertain. Some of the factors and assumptions that can impact economically recoverable coal deposits estimates include:

- geologic and mining conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of environmental and other regulations and taxes by governmental agencies;
- our ability to obtain, maintain and renew all required permits;
- future improvements in mining technology;
- assumptions related to future prices; and
- future operating costs, including the cost of materials, and capital expenditures.

Each of the factors that impacts coal deposit estimation may vary considerably from the assumptions used in estimating such deposits. For these reasons, estimates of coal deposits may vary substantially. Actual production, revenues and expenditures with respect to our future coal deposits will vary from estimates, and these variances may be material. As a result, our estimates may not accurately reflect our actual future coal deposits.

Our inability to acquire additional coal deposits that are economically recoverable may have a material adverse effect on our future profitability.

Our profitability depends substantially on our ability to mine, in a cost-effective manner, coal deposits that possess the quality characteristics that prospective customers desire. Because our coal deposits will decline as we mine our coal, our future profitability depends upon our ability to acquire additional coal deposits that are economically recoverable to replace the coal deposits we will produce. If we fail to acquire or develop sufficient additional coal deposits over the long term to replace the coal deposits depleted by our production, our existing deposits could eventually be exhausted.

The status of our idled mines, our lack of operating history and multiple coal quality levels and inability to send test shipments to our prospective customers may negatively impact our ability to develop our initial customer base.

As a company with limited operating history and several idled, non-producing mines, our potential customer base is also uncertain. Our ability to commence operations and begin shipments to customers will be impacted by any potential mine rehabilitation work or start-up timing and costs.

Deterioration in the global economic conditions in any of the industries in which prospective customers operate, a worldwide financial downturn, such as the 2008-2009 financial crisis, or negative credit market conditions could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

Economic conditions in the industries in which most of our prospective customers operate, such as steelmaking and electric power generation, substantially deteriorated in recent years and reduced the demand for coal. According to the US Energy Information Agency ("EIA"), total thermal and metallurgical coal production in the Central Appalachian Basin is expected to gradually decline. A deterioration of economic conditions in our prospective customers' industries could cause a decline in demand for and production of metallurgical coal. Renewed or continued weakness in the economic conditions of any of the industries served by prospective customers could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders. For example:

- demand for metallurgical coal depends on domestic and foreign steel demand, which if weakened would negatively impact our revenues, margins and profitability;
- the tightening of credit or lack of credit availability to prospective customers could adversely affect our ability to collect our trade receivables; and
- our ability to access the capital markets may be restricted at a time when we intend to raise capital for our business, including for capital improvements and exploration and/or development of coal deposits.

Prices for coal are volatile and can fluctuate widely based upon a number of factors beyond our control, including oversupply relative to the demand available for our coal and weather. A substantial or extended decline in the prices we receive for our coal could adversely affect our business, results of operations, financial condition, cash flows and ability to pay dividends to our common stockholders.

Our financial results will be significantly affected by the prices we receive for our coal and depend, in part, on the margins that we will receive on sales of our coal. Our margins will reflect the price we receive for our coal over our cost of producing and transporting our coal. Prices and quantities under U.S. domestic metallurgical coal sales contracts are generally based on expectations of the next year's coal prices at the time the contract is entered into, renewed, extended or re-opened. Pricing in the global seaborne market is typically negotiated quarterly, however, increasingly the market is moving towards shorter term pricing models. The expectation of future prices for coal depends upon many factors beyond our control, including the following:

- the market price for coal;
- overall domestic and global economic conditions, including the supply of and demand for domestic and foreign coal, coke and steel;
- the consumption pattern of industrial consumers, electricity generators and residential users;
- weather conditions in our markets that affect the demand for thermal coal or that affect the ability to produce metallurgical coal;
- competition from other coal suppliers;
- technological advances affecting energy consumption;
- the costs, availability and capacity of transportation infrastructure;
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry, and delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits; and
- increased utilization by the steel industry of electric arc furnaces or pulverized coal injection processes, which reduce or eliminate the use of furnace coke, an intermediate product produced from metallurgical coal, and generally decrease the demand for metallurgical coal.

Metallurgical coal has been an extremely volatile commodity over the past 10 years, as steel production growth in Asia underpinned demand growth, while the market experienced two supply shocks from flooding events in Australia's Queensland and a third in 2016 caused by a reduction in Chinese domestic production. The first severe flooding sent global metallurgical coal prices from \$98 per MT in 2007 to \$305 per MT in 2008. A second round of flooding disrupted the Australian supply chain in 2011, and prices jumped from \$129 per MT to \$330 per MT. The temporary supply disruptions caused major price spikes, which, while short-lived, resulted in a period of elevated prices, before declining once supply normalized, and production growth that high prices incentivized eventually came online. The slow decline in global prices since 2011 forced high-cost U.S. suppliers who could not compete in the export market to reduce output. Any decline in the prices of and demand for coal could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

Increased competition or a loss of our competitive position could adversely affect sales of, or prices for, our coal, which could impair our profitability. In addition, foreign currency fluctuations could adversely affect the competitiveness of our coal abroad.

We will compete with other producers primarily on the basis of coal quality, delivered costs to the customer and reliability of supply. We expect to compete primarily with U.S. coal producers and with some Canadian coal producers for sales of metallurgical coal to domestic steel producers and, to a lesser extent, thermal coal to electric power generators. We also expect to compete with both domestic and foreign coal producers for sales of metallurgical coal in international markets. Certain of these coal producers may have greater financial resources and larger coal deposit bases than we do. We expect to sell coal to the seaborne metallurgical coal market, which is significantly affected by international demand and competition.

We cannot assure you that competition from other producers will not adversely affect us in the future. The coal industry has experienced consolidation over the past 10 years, including consolidation among some of our major competitors. We cannot assure you that the result of current or further consolidation in the coal industry, or the reorganization through bankruptcy of competitors with large legacy liabilities, will not adversely affect us. A number of our competitors have idled production over the last year in light of lower metallurgical coal prices in 2015 and the first half of 2016. The recent increase in coal prices in 2017 and 2018 could encourage existing producers to expand capacity or could encourage new producers to enter the market.

In addition, we face competition from foreign producers that sell their coal in the export market. Potential changes to international trade agreements, trade concessions, foreign currency fluctuations or other political and economic arrangements may benefit coal producers operating in countries other than the United States. Additionally, North American steel producers face competition from foreign steel producers, which could adversely impact the financial condition and business of our prospective customers. We cannot assure you that we will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable foreign trade policies or other arrangements. Coal is sold internationally in U.S. dollars and, as a result, general economic conditions in foreign markets and changes in foreign currency exchange rates may provide our foreign competitors with a competitive advantage. If our competitors' currencies decline against the U.S. dollar or against our prospective foreign customers' local currencies, those competitors may be able to offer lower prices for coal to prospective customers. Furthermore, if the currencies of our prospective overseas customers were to significantly decline in value in comparison to the U.S. dollar, those prospective customers may seek decreased prices for the coal we sell to them. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business involves many hazards and operating risks, some of which may not be fully covered by insurance. The occurrence of a significant accident or other event that is not fully insured could adversely affect our business, results of operations, financial condition, cash flows and ability to pay dividends to our common stockholders.

Our mining operations, including our preparation and transportation infrastructure, are subject to many hazards and operating risks. In particular, underground mining and related processing activities present inherent risks of injury to persons and damage to property and equipment. Our mines are subject to a number of operating risks that could disrupt operations, decrease production and increase the cost of mining for varying lengths of time, thereby adversely affecting our operating results. In addition, if coal production declines, we may not be able to produce sufficient amounts of coal to deliver under future sales contracts. Our inability to satisfy contractual obligations could result in prospective customers initiating claims against us. The operating risks that may have a significant impact on our future coal operations include:

- variations in thickness of the layer, or seam, of coal;
- adverse geologic conditions, including amounts of rock and other natural materials intruding into the coal seam, that could affect the stability of the roof and the side walls of the mine;
- environmental hazards;
- mining and processing equipment failures and unexpected maintenance problems;
- fires or explosions, including as a result of methane, coal, coal dust or other explosive materials, or other accidents;
- inclement or hazardous weather conditions and natural disasters or other force majeure events;
- seismic activities, ground failures, rock bursts or structural cave-ins or slides;
- delays in moving our mining equipment;
- railroad delays or derailments;
- security breaches or terroristic acts; and
- other hazards or occurrences that could also result in personal injury and loss of life, pollution and suspension of operations.

Any of these risks could adversely affect our ability to conduct operations or result in substantial loss to us as a result of claims for:

- personal injury or loss of life;
- damage to and destruction of property, natural resources and equipment, including our coal properties and our coal production or transportation facilities;
- pollution, contamination and other environmental damage to our properties or the properties of others;
- potential legal liability and monetary losses;
- regulatory investigations, actions and penalties;
- suspension of our operations; and
- repair and remediation costs.

In addition, the total cost of coal sold, and overall coal production may be adversely affected by various factors.

Although we maintain insurance for a number of risks and hazards, we may not be insured or fully insured against the losses or liabilities that could arise from a significant accident in our future coal operations. We may elect not to obtain insurance for any or all of these risks if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution, contamination and environmental risks generally are not fully insurable. Moreover, a significant mine accident or regulatory infraction could potentially cause a mine shutdown. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

In addition, if any of the foregoing changes, conditions or events occurs and is not determined to be a force majeure event, any resulting failure on our part to deliver coal to the purchaser under contract could result in economic penalties, suspension or cancellation of shipments or ultimately termination of the agreement, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

Depending on future acquisitions, our operations could be exclusively located in a single geographic region, making us vulnerable to risks associated with operating in a single geographic area.

Initially, substantially all of our operations will be conducted in a single geographic region in the eastern United States in the Commonwealth of Kentucky. The geographic concentration of our operations may disproportionately expose us to disruptions in our operations if the region experiences severe weather, transportation capacity constraints, constraints on the availability of required equipment, facilities, personnel or services, significant governmental regulation or natural disasters. If any of these factors were to impact the region in which we operate more than other coal producing regions, our business, financial condition, results of operations and cash flows will be adversely affected relative to other mining companies that have a more geographically diversified asset portfolio.

In addition, some scientists have warned that increasing concentrations of greenhouse gases ("GHGs") in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If these warnings are correct, and if any such effects were to occur in areas where we or our customers operate, they could have an adverse effect on our assets and operations.

The availability and reliability of transportation facilities and fluctuations in transportation costs could affect the demand for our coal or impair our ability to supply coal to prospective customers.

Transportation logistics will play an important role in allowing us to supply coal to prospective customers. Any significant delays, interruptions or other limitations on the ability to transport our coal could negatively affect our operations. Delays and interruptions of rail services because of accidents, failure to complete construction of rail infrastructure, infrastructure damage, lack of rail or port capacity, weather-related problems, governmental regulation, terrorism, strikes, lock-outs, third-party actions or other events could impair our ability to supply coal to customers and adversely affect our profitability. In addition, transportation costs represent a significant portion of the delivered cost of coal and, as a result, the cost of delivery is a critical factor in a customer's purchasing decision. Increases in transportation costs, including increases resulting from emission control requirements and fluctuations in the price of locomotive diesel fuel and demurrage, could make our coal less competitive, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

Any significant downtime of our major pieces of mining equipment, including any preparation plant, could impair our ability to supply coal to prospective customers and materially and adversely affect our results of operations.

We currently and in the future, will depend on several major pieces of mining equipment to produce and transport our coal, including, but not limited to, underground continuous mining units and coal conveying systems, surface mining equipment such as augers, highwall miners, front-end loaders and coal over burden haul trucks, preparation plant and related facilities, conveyors and transloading facilities. If any of these pieces of equipment or facilities suffered major damage or were destroyed by fire, abnormal wear, flooding, incorrect operation or otherwise, we may be unable to replace or repair them in a timely manner or at a reasonable cost, which would impact our ability to produce and transport coal and materially and adversely affect our business, results of operations, financial condition and cash flows. Moreover, the Mine Safety and Health Administration ("MSHA") and other regulatory agencies sometimes make changes with regards to requirements for pieces of equipment. For example, in 2015, MSHA promulgated a new regulation requiring the implementation of proximity detection devices on all continuous mining machines. Such changes could cause delays if manufacturers and suppliers are unable to make the required changes in compliance with mandated deadlines.

If either our preparation plants, or train loadout facilities, or those of a third-party processing or loading our coal, suffer extended downtime, including major damage, or is destroyed, our ability to process and deliver coal to prospective customers would be materially impacted, which would materially adversely affect our business, results of operations, financial condition and cash flows and our ability to pay dividends to our common stockholders.

If customers do not enter into, extend or honor contracts with us, our profitability could be adversely affected.

We have entered into a limited number of contracts for the sale of our coal. Coal mined from our operations is subject to testing by our prospective customers for the ability to meet various specifications and to work successfully test our coals or enter into contracts for the sale of our coal, our ability to achieve profitability would be materially adversely affected. Once we enter into contracts, if a substantial portion of our sales contracts are modified or terminated and we are unable to replace the contracts (or if new contracts are priced at lower levels), our results of operations would be adversely affected, perhaps materially. In addition, if customers refuse to accept shipments of our coal for which they have a contractual obligation, our revenues could be substantially affected and we may have to reduce production at our mines until our customer's contractual obligations are honored.

Certain provisions in typical long-term sales contracts provide limited protection during adverse economic conditions, which may eventually result in economic penalties to us or permit the customer to terminate the contract. Furthermore, our ability to collect payments from prospective customers could be impaired if their creditworthiness declines or if they fail to honor their contracts with us.

Price adjustment, "price reopener" and other similar provisions in typical long-term sales contracts may reduce protection from short-term coal price volatility traditionally provided by such contracts. Price reopener provisions may be included in our future sales contracts. These price reopener provisions may automatically set a new price based on prevailing market price or, in some instances, require the parties to agree on a new price, sometimes within a specified range of prices. Any adjustment or renegotiations leading to a significantly lower contract price could adversely affect our profitability. Some annual metallurgical coal contracts have shifted to quarterly contracts and growing volumes are being sold on an indexed basis, where prices are determined by averaging the leading spot indexes reported in the market, exposing us further to risks related to pricing volatility.

Our ability to receive payment for coal sold and delivered depends on the continued solvency and creditworthiness of prospective customers. The number of domestic steel producers is small, and they compete globally for steel production. If their business or creditworthiness suffers, we may bear an increased risk with respect to payment default. In addition, some prospective customers have been adversely affected by the recent economic downturn, which may impact their ability to fulfill their contractual obligations. Competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk we bear with respect to payment default. We could also enter into agreements to supply coal to energy trading and brokering customers under which a customer sells coal to end-users. If the creditworthiness of any prospective energy trading and brokering customer declines, we may not be able to collect payment for all coal sold and delivered to or on behalf of this customer. In addition, if customers refuse to accept shipments of our coal that they have a contractual obligation to purchase, our revenues will decrease, and we may have to reduce production at our mines until prospective customers' contractual obligations are honored. Our inability to collect payment from counterparties to our sales contracts may materially adversely affect our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

Decreases in demand for electricity and changes in coal consumption patterns of U.S. electric power generators could adversely affect our business.

While our initial coal production consists primarily of metallurgical and PCI coal, which is not closely linked to domestic demand for electricity, we anticipate initiating production and sales of thermal coal in the future. In such case, any changes in coal consumption by electric power generators in the United States would likely impact our business over the long term. According to the EIA, in 2015, the domestic electric power sector accounts for more than 90% of total U.S. coal consumption. The amount of coal consumed by the electric power generation industry is affected by, among other things:

- general economic conditions, particularly those affecting industrial electric power demand, such as a downturn in the U.S. economy and financial markets;
- overall demand for electricity;
- competition from alternative fuel sources for power generation, including natural gas, fuel oil, nuclear, and renewable sources such as hydroelectric, wind and solar power, and the location, availability, quality and price of those alternative fuel sources;
- environmental and other governmental regulations, including those impacting coal-fired power plants; and
- energy conservation efforts and related governmental policies.

For example, the low price of natural gas in recent years has resulted, in some instances, in domestic electric generators increasing natural gas consumption while decreasing coal consumption. Federal and state mandates for increased use of electricity derived from renewable energy sources, such as the Clean Power Plan ("CPP"), could also affect demand for our coal. Such mandates, combined with other incentives to use renewable energy sources, such as tax credits, could make renewable fuel sources more competitive with coal. A decrease in coal consumption by the electric power generation industry could adversely affect the price of coal, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

According to the EIA, although electricity demand fell in only three years between 1950 and 2007, it declined in six of the eight years between 2008 and 2015. The decline in electricity demand is due to several primary factors, including the steep economic downturn from late 2007 through 2009, the shift from an energy-intensive manufacturing economy to a service economy and an overall improvement in energy efficiency. Other factors, such as efficiency improvements associated with new appliance standards in the buildings sectors, overall improvement in the efficiency of technologies powered by electricity, and future conservation efforts based on implementation of the new CPP, have slowed or may slow electricity demand growth and may contribute to slower growth in the future, even if the U.S. economy continues its recovery. Further decreases in the demand for electricity, such as decreases that could be caused by a worsening of current economic conditions, a prolonged economic recession or other similar events, could have a material adverse effect on the demand for coal and on our business over the long term.

Changes in the coal industry that affect our prospective customers, such as those caused by decreased electricity demand and increased competition, could also adversely affect our business. Indirect competition from natural gas-fired plants that are relatively less expensive to construct and less difficult to permit has the most potential to displace a significant amount of coal-fired electric power generation in the near term, particularly older, less efficient coal-fired powered generators. In addition, uncertainty caused by federal and state regulations could cause thermal coal customers to be uncertain of their coal requirements in future years, which could adversely affect our ability to sell coal to such prospective customers under multi-year sales contracts.

We may be unsuccessful in integrating the operations of any future acquisitions, including acquisitions involving new lines of business, with our existing operations, and in realizing all or any part of the anticipated benefits of any such acquisitions.

From time to time, we may evaluate and acquire assets and businesses that we believe complement our existing assets and business, and we may use a portion of the proceeds from this offering for acquisitions. The assets and businesses we acquire may be dissimilar from our initial lines of business. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. Our capitalization and results of operations may change significantly as a result of future acquisitions. We may also add new lines of business to our existing operations. Acquisitions and business expansions involve numerous risks, including the following:

- difficulties in the integration of the assets and operations of the acquired businesses or lines of business;
- inefficiencies and difficulties that arise because of unfamiliarity with new assets and the businesses associated with them and new geographic areas;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk; and
- the diversion of management's attention from other operations.

Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined, and we may experience unanticipated delays in realizing the benefits of an acquisition. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar and may lead to increased litigation and regulatory risk. Also, following an acquisition, we may discover previously unknown liabilities associated with the acquired business or assets for which we have no recourse under applicable indemnification provisions. If an acquired business or new line of business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations may be materially adversely affected. Additionally, we can offer no assurance that the planned marketing, brokerage and trading company will be able to attract third-party coal producers as customers or make any significant contribution to our financial results.

To maintain and grow our business, we will be required to make substantial capital expenditures. If we are unable to obtain needed capital or financing on satisfactory terms, we may have to curtail our operations and delay our construction and growth plans, which may materially adversely affect our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

In order to maintain and grow our business, we will need to make substantial capital expenditures associated with our mines and the construction of coal preparation facilities, which have not yet been constructed. Constructing, maintaining and expanding mines and infrastructure, including coal preparation and loading facilities, is capital intensive. Specifically, the exploration, permitting and development of coal deposits, and the maintenance of machinery, equipment and facilities, and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase our production and to develop any future acquired properties. Decisions to increase our production levels could also affect our capital needs. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient financing to continue our production, exploration, permitting and development activities, and we may be required to defer all or a portion of our capital expenditures.

If we do not make sufficient or effective capital expenditures, we will be unable to develop and grow our business. To fund our projected capital expenditures, we will be required to use cash from our operations, incur debt or issue additional common stock or other equity securities. Using cash from our operations will reduce cash available for maintaining or increasing our operating activities and paying dividends to our common stockholders. Our ability to obtain bank financing or our ability to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering and the covenants in our future debt agreements, as well as by general economic conditions, contingencies and uncertainties that are beyond our control.

In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant stockholder dilution.

We may not be able to obtain equipment, parts and supplies in a timely manner, in sufficient quantities or at reasonable costs to support our coal mining and transportation operations.

Coal mining consumes large quantities of commodities including steel, copper, rubber products and liquid fuels and requires the use of capital equipment. Some commodities, such as steel, are needed to comply with roof control plans required by regulation. The prices we pay for commodities and capital equipment are strongly impacted by the global market. A rapid or significant increase in the costs of commodities or capital equipment we use in our operations could impact our mining operations costs because we may have a limited ability to negotiate lower prices and, in some cases, may not have a ready substitute.

We will use equipment in our coal mining and transportation operations such as continuous mining units, conveyors, shuttle cars, rail cars, locomotives, and roof bolters. We procure this equipment from a concentrated group of suppliers, and obtaining this equipment often involves long lead times. Occasionally, but not currently, demand for such equipment by mining companies can be high and some types of equipment may be in short supply. Delays in receiving or shortages of this equipment, as well as the raw materials used in the manufacturing of supplies and mining equipment, which, in some cases, do not have ready substitutes, or the cancellation of any future supply contracts under which we obtain equipment and other consumables, could limit our ability to obtain these supplies or equipment. In addition, if any of our suppliers experiences an adverse event, or decides to no longer do business with us, we may be unable to obtain sufficient equipment and raw materials in a timely manner or at a reasonable price to allow us to meet our production goals and our revenues may be adversely impacted. We use considerable quantities of steel in the mining process. If the price of steel or other materials increases substantially or if the value of the U.S. dollar declines relative to foreign currencies with respect to certain imported supplies or other products, our operating expenses could increase. Any of the foregoing events could materially and adversely impact our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

The decline in coal prices since 2011 has incentivized producers to retain their used, idle equipment. The availability of used equipment is a key assumption in our business plan, and we may find it difficult to procure mining equipment at a suitable cost, in particular deep mining equipment. To the extent we are unable to procure suitable mining equipment in line with our projected cost profile, our projected results may not be realized, and our results of operations may be negatively affected.

We are a holding company and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to pay our obligations and to make dividend payments depends entirely on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by the law of their respective jurisdictions of formation which regulates the payment of dividends. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends.

Debt we incur in the future may limit our flexibility to obtain financing and to pursue other business opportunities. Our future level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures or other purposes may be impaired, or such financing may not be available on favorable terms;
- our funds available for operations and future business opportunities will be reduced by that portion of our cash flow required to make interest payments on our debt;
- our ability to pay dividends if an event of default occurs and is continuing or would occur as a result of paying such dividend;
- we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, investments or capital expenditures, selling assets or issuing equity. We may not be able to effect any of these actions on satisfactory terms or at all.

Our operations could be adversely affected if we are unable to obtain required financial assurance, or if the costs of financial assurance increase too much.

Federal and state laws require financial assurance to secure our permit obligations including to reclaim lands used for mining, to pay federal and state workers' compensation and black lung benefits, and to satisfy other miscellaneous obligations. The changes in the market for coal used to generate electricity in recent years have led to bankruptcies involving prominent coal producers. Several of these companies relied on self-bonding to guarantee their responsibilities under the Surface Mining Control and Reclamation Act of 1977 ("SMCRA") permits including for reclamation. In response to these bankruptcies, the Office of Surface Mining Reclamation and Enforcement ("OSMRE") issued a Policy Advisory in August 2016 to state agencies that are authorized under the SMCRA to implement the act in their states. Certain states, including Virginia, had previously announced that it would no longer accept self-bonding to secure reclamation obligations under the state mining laws. This Policy Advisory is intended to discourage authorized states from approving self-bonding arrangements and may lead to increased demand for other forms of financial assurance, which may strain capacity for those instruments and increase our costs of obtaining and maintaining the amounts of financial assurance needed for our operations.

In addition, OSMRE announced in August 2016 that it would initiate a rulemaking under SMCRA to revise the requirements for self-bonding in light of changes in the coal-mining industry and the market. Individually and collectively, revised various financial assurance requirements may increase the amounts of needed financial assurance and limit the types of acceptable instruments and strain the capacity of the surety markets to meet demand, which may delay the timing for and increase the costs of obtaining this financial assurance. We use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. Our reclamation surety bonding program does not currently require us to post collateral, however, insurance companies may elect not to provide surety bonds without collateral. Indeed, sureties typically require coal producers to post collateral, often having a value equal to 40% or more of the face amount of the bond. As a result, we may be required to provide collateral, letters of credit or other assurances of payment in order to obtain the necessary types and amounts of financial assurance. We currently have outstanding surety bonds at all of our mining operations totaling approximately \$26.62 million. Using letters of credit in lieu of surety bonds can be significantly costlier to us than surety bonds. Moreover, the need to obtain letters of credit may also reduce amounts that we can borrow under any senior secured credit facility for other purposes. If, in the future, we are unable to secure surety bonds for these obligations and are forced to secure letters of credit indefinitely or obtain some other form of financial assurance at too high of a cost, our profitability may be negatively affected.

Our mines could be located in areas containing oil and natural gas operations, which may require us to coordinate our operations with those of oil and natural gas drillers.

Our coal deposits may be in areas containing developed or undeveloped oil and natural gas deposits and reservoirs, such as the Marcellus Shale in eastern Kentucky, which are currently the subject of substantial oil and natural gas exploration and production activities, including by horizontal drilling. If we have received a permit for our mining activities, then, while we will have to coordinate our mining with such oil and natural gas drillers, our mining activities are expected to have priority over any oil and natural gas drillers with respect to the land covered by our permit. For coal deposits outside of our permits, we expect to engage in discussions with drilling companies on potential areas on which they can drill that may have a minimal effect on our mine plan. Depending on priority of interests, our operations may have to avoid existing oil and gas wells or expend sums to plug oil and gas wells.

If a well is in the path of our mining for coal on land that has not yet been permitted for our mining activities, we may not be able to mine through the well unless we purchase it. The cost of purchasing a producing horizontal or vertical well could be substantial. Horizontal wells with multiple laterals extending from the well pad may access larger oil and natural gas deposits than a vertical well, which would typically result in a higher cost to acquire. The cost associated with purchasing oil and natural gas wells that are in the path of our coal mining activities may make mining through those wells uneconomical, thereby effectively causing a loss of significant portions of our coal reserves, which could materially and adversely affect our business, financial condition, results of operations, cash flows and ability to pay dividends to our common stockholders.

Defects in title or loss of any leasehold interests in our properties could limit our ability to conduct mining operations on these properties or result in significant unanticipated costs.

We expect to conduct all of our mining operations on properties that we lease. A title defect or the loss of any lease upon expiration of its term, upon a default or otherwise, could adversely affect our ability to mine the associated coal and/or process the coal we mine. Title to most of our leased properties and mineral rights is not usually verified until we make a commitment to develop a property, which may not occur until after we have obtained necessary permits and completed exploration of the property. In many cases, we rely on title information or representations and warranties provided by our lessors or grantors. Our right to mine some of our coal deposits may be adversely affected if defects in title or boundaries exist or if a lease expires. Any challenge to our title or leasehold interests could delay the exploration and development of the property and could ultimately result in the loss of some or all of our interest in the property and, accordingly, require us to reduce our estimated coal deposits. Mining operations from time to time may rely on an expired lease that we are unable to renew. If we were to be in default with respect to leases for properties on which we have mining operations, we may have to close down or significantly alter the sequence of such mining operations, which may adversely affect our future coal production and future revenues. If we mine on property that we do not own or lease, we could incur liability for such mining.

Also, in any such case, the investigation and resolution of title issues would divert management's time from our business and our results of operations could be adversely affected. Additionally, if we lose any leasehold interests relating to any preparation plants, we may need to find an alternative location to process our coal and load it for delivery to customers, which could result in significant unanticipated costs.

In order to obtain leases or mining contracts to conduct our mining operations on property where these defects exist, we may in the future have to incur unanticipated costs. In addition, we may not be able to successfully negotiate new leases or mining contracts for properties containing additional coal deposits or maintain our leasehold interests in properties where we have not commenced mining operations during the term of the lease. Some leases have minimum production requirements. Failure to meet those requirements could result in losses of prepaid royalties and, in some rare cases, could result in a loss of the lease itself.

Some of our mining properties are leased from Land Resources & Royalties LLC, a company owned and controlled by certain members of our management, and conflicts of interest may arise in the future as a result.

Some of our properties are leased or subleased to our subsidiaries from Land Resources & Royalties, which is a related party and an entity that is owned and controlled by some of our management team, with financial and economic benefit of such leases going directly to those members of the management team. Given some of the common ownership and control between Land Resources & Royalties LLC and us and the complex contractual obligations under these arrangements, conflicts could arise between us and Land Resources & Royalties LLC that could adversely affect the interests of our stockholders, including, without limitation, conflicts involving compliance with payment and performance obligations under existing leases, and negotiation of the terms of and performance under additional leases we may enter into with Land Resources & Royalties LLC in the future.

While none of our employees who conduct mining operations are currently members of unions, our business could be adversely affected by union activities.

We are not subject to any collective bargaining or union agreement with respect to other properties we currently control. However, it is possible that future employees, or those of our contract miners, who conduct mining operations may join or seek recognition to form a labor union or may be required to become a labor agreement signatory. If some or all of the employees who conduct mining operations were to become unionized, it could adversely affect productivity, increase labor costs and increase the risk of work stoppages at our mines. If a work stoppage were to occur, it could interfere with operations and have a material adverse effect on our business, financial condition, results of operations, cash flows and our ability to pay dividends to our common stockholders.

A shortage of skilled labor in the mining industry could pose a risk to achieving improved labor productivity and competitive costs, which could adversely affect our profitability.

Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least a year of experience and proficiency in multiple mining tasks. In the event there is a shortage of experienced labor, it could have an adverse impact on our labor productivity and costs and our ability to expand production in the event there is an increase in the demand for our coal.

Our ability to operate effectively could be impaired if we fail to attract and retain key personnel.

The loss of our senior executives could have a material adverse effect on our business. There may be a limited number of persons with the requisite experience and skills to serve in our senior management positions. We may not be able to locate or employ qualified executives on acceptable terms. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled personnel with coal industry experience. We may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. Our failure to retain or attract key personnel could have a material adverse effect on our ability to effectively operate our business. There is nothing at this time on which to base an assumption that our business will prove successful, and there is no assurance that we will be able to operate profitably if or when operations commence. You may lose your entire investment due to our lack of experience.

Terrorist attacks or cyber-incidents could result in information theft, data corruption, operational disruption and/or financial loss.

Like most companies, we have become increasingly dependent upon digital technologies, including information systems, infrastructure and cloud applications and services, to operate our businesses, to process and record financial and operating data, communicate with our business partners, analyze mine and mining information, estimate quantities of coal deposits, as well as other activities related to our businesses. Strategic targets, such as energy-related assets, may be at greater risk of future terrorist or cyber-attacks than other targets in the United States. Deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties, or cloud-based applications could lead to corruption or loss of our proprietary data and potentially sensitive data, delays in production or delivery, difficulty in completing and settling transactions, challenges in maintaining our books and records, environmental damage, communication interruptions, other operational disruptions and third-party liability. Our insurance may not protect us against such occurrences. Consequently, it is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, as cyber incidents continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents.

We may face restricted access to international markets in the future.

Access to international markets may be subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import or export of certain commodities. Although there are currently no significant trade barriers existing or impending of which we are aware that do, or could, materially affect our access to certain markets, there can be no assurance that our access to these markets will not be restricted in the future. An inability for U.S. metallurgical thermal, and other specialty coal suppliers to access international markets would likely result in an oversupply of such respective coals in the domestic market, resulting in a decrease in prices.

On August 14, 2017, the President of the United States issued a memorandum instructing the U.S. Trade Representative (“USTR”) to determine whether to investigate under section 301 of the U.S. Trade Act of 1974 (Trade Act), laws, policies, practices, or actions of the PRC government that may be unreasonable or discriminatory and that may be harming U.S. intellectual property rights, innovation, or technology development. Based on information gathered in that investigation, the USTR published a report on March 22, 2018 on the acts, policies and practices of the PRC government supporting findings that such are unreasonable or discriminatory and burden or restrict U.S. commerce.

25

On March 8, 2018, the President exercised his authority to issue the imposition of significant tariffs on imports of steel and aluminum from a number of countries, including the PRC. Subsequently, the USTR announced an initial proposed list of 1,300 goods imported from the PRC that could be subject to additional tariffs and initiated a dispute with the World Trade Organization against the PRC for alleged unfair trade practices. The President has indicated that his two primary concerns to be addressed by the PRC are (i) a mandatory \$100 billion reduction in the PRC/U.S. trade deficit and (ii) limiting the planned \$300 billion PRC government support for advanced technology industries including artificial intelligence, semiconductors, electric cars and commercial aircraft. On June 15, 2018, the President announced that the U.S. would go ahead with tariffs on \$50 billion worth of Chinese goods, including agriculture and industrial machinery, which prompted the PRC government to consider imposing tariffs on \$50 billion worth of goods from the U.S., including beef, poultry, tobacco and cars. In response to the PRC's proposed retaliatory measures, the President announced on June 19, 2018 that the U.S. would compile a list of \$200 billion in China goods for levies should the PRC move forward with their proposed tariffs. On August 7, 2018, the U.S. announced a tariff of 25% on approximately \$16 billion worth of mostly industrial goods from China, including tractors, plastic tubes and antennas, which went into effect on August 23, 2018. In response, on August 8, 2018, China announced a 25% tariff on \$16 billion worth of US goods, including large passenger cars, motorcycles, chemical items and diesel fuel, which also went into effect on August 23, 2018. On September 7, 2018, the President warned that he was prepared to impose tariffs on another \$267 billion of Chinese goods, which in addition to the other previously announced tariffs, would cover virtually all of China's imports into the U.S. Despite a September 12, 2018 invitation by the U.S. to China to restart trade talks, which China has welcomed, the President has instructed his administration to proceed with a 10% tariff on Chinese goods worth \$200 billion, which China intends to match with tariffs on \$60 billion of US goods.

In addition to the proposed retaliatory tariffs, the President has also directed the U.S. Secretary of the Treasury to develop new restrictions on PRC investments in the U.S. aimed at preventing PRC-controlled companies and funds from acquiring U.S. firms with sensitive technologies. Congress is currently considering new legislation, the Foreign Investment Risk Review Modernization Act, to modernize the restrictive powers imposed by the Committee on Foreign Investment in the United States.

This evolving policy dispute between the PRC and the U.S. is likely to have significant impact on the industries in which we participate, directly and indirectly, and no assurance can be given that any individual customer, or significant groups of companies or a particular industry, will not be adversely affected by any governmental actions taken by either the PRC or the U.S., perhaps materially. In view of the positions of the respective trade representatives, it is not possible to predict with any certainty the outcome of this dispute or whether it will involve other agencies or entities brought in to resolve the policy differences of the two countries.

Risks Related to Environmental, Health, Safety and Other Regulations

Laws and regulations restricting greenhouse gas emissions as well as uncertainty concerning such regulations could adversely impact the market

for coal, increase our operating costs, and reduce the value of our coal assets.

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of GHGs. There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steelmaking is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

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

At present, we are principally focused on metallurgical coal production and other industrial uses, which is not used in connection with the production of power generation. However, we may seek to sell greater amounts of our coal into the power-generation market in the future. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations. The uncertainty over the outcome of litigation challenging the CPP and the extent of future regulation of GHG emissions may inhibit utilities from investing in the building of new coal-fired plants to replace older plants or investing in the upgrading of existing coal-fired plants. Any reduction in the amount of coal consumed by electric power generators as a result of actual or potential regulation of GHG emissions could decrease demand for our coal, thereby reducing our revenues and materially and adversely affecting our business and results of operations. We or prospective customers may also have to invest in CO₂ capture and storage technologies in order to burn coal and comply with future GHG emission standards.

Finally, there have been attempts to encourage greater regulation of coalbed methane because methane has a greater GHG effect than CO₂. Methane from coal mines can give rise to safety concerns and can require various measures be taken to mitigate those risks. If new laws or regulations were introduced to reduce coalbed methane emissions, those rules could adversely affect our costs of operations by requiring installation of air pollution controls, higher taxes, or additional costs incurred to purchase credits that permit us to continue operations. New laws or regulations could also potentially require that we curtail coal production.

Current and future government laws, regulations and other legal requirements relating to protection of the environment and natural resources may increase our costs of doing business and may restrict our coal operations.

We and our potential customers are subject to stringent and complex laws, regulations and other legal requirements enacted by federal, state and local authorities relating to protection of the environment and natural resources. These include those legal requirements that govern discharges or emissions of materials into the environment, the management and disposal of substances and wastes, including hazardous wastes, the cleanup of contaminated sites, threatened and endangered plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, mitigation and restoration of streams or other waters, the protection of drinking water, assessment of the environmental impacts of mining, monitoring and reporting requirements, the installation of various safety equipment in our mines, remediation of impacts of surface subsidence from underground mining, and work practices related to employee health and safety. Examples include laws and regulations relating to:

- employee health and safety;
- emissions to air and discharges to water;
- plant and wildlife protection, including endangered species protections;
- the reclamation and restoration of properties after mining or other activity has been completed;
- limitations on land use;
- mine permitting and licensing requirements;
- the storage, treatment and disposal of wastes;
- air quality standards;
- water pollution;

- protection of human health, plant-life and wildlife, including endangered and threatened species;
- protection of wetlands;
- the discharge of materials into the environment;
- remediation of contaminated soil, surface and groundwater; and
- the effects of operations on surface water and groundwater quality and availability.

Complying with these environmental and employee health and safety requirements, including the terms of our permits, has had, and will continue to have, a significant effect on our costs of operations. In addition, there is the possibility that we could incur substantial costs as a result of violations of environmental laws, judicial interpretations of or rulings on environmental laws or permits, or in connection with the investigation and remediation of environmental contamination. For example, the EPA and several of the states where we operate have, or intend to, propose revised recommended criteria for discharges of selenium regulated under the Clean Water Act ("CWA"), which may be more stringent than current criteria. Any additional laws, regulations and other legal requirements enacted or adopted by federal, state and local authorities, or new interpretations of existing legal requirements by regulatory bodies relating to the protection of the environment, including those related to discharges of selenium, could further affect our costs or limit our operations.

Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could expose us to significant costs and liabilities.

Our operations currently use hazardous materials and generate limited quantities of hazardous wastes from time to time. Drainage flowing from or caused by mining activities can be acidic with elevated levels of dissolved metals, a condition referred to as "acid mine drainage," or may include other pollutants requiring treatment. We could become subject to claims for toxic torts, natural resource damages and other damages as well as for the investigation and clean-up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of conditions at sites that we currently own or operate, as well as at sites that we previously owned or operated, or may acquire. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or for the entire share.

We will maintain coal refuse areas and slurry impoundments as necessary. Such areas and impoundments are subject to extensive regulation. Structural failure of a slurry impoundment or coal refuse area could result in extensive damage to the environment and natural resources, such as bodies of water that the coal slurry reaches, as well as liability for related personal injuries and property damages, and injuries to wildlife. If an impoundment were to fail, we could be subject to claims for the resulting environmental contamination and associated liability, as well as for fines and penalties. Our coal refuse areas and slurry impoundments will be designed, constructed, and inspected by our company and by regulatory authorities according to stringent environmental and safety standards.

We must obtain, maintain, and renew governmental permits and approvals for mining operations, which can be a costly and time-consuming process and result in restrictions on our operations.

Numerous governmental permits and approvals are required for mining operations. Our operations are principally regulated under permits issued pursuant to SMCRA and the federal CWA. State and federal regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. In addition, we may be required to prepare and present to permitting or other regulatory authorities data pertaining to the effect or impact that proposed exploration for or production of coal might have on the environment.

Our coal production will be dependent upon our ability to obtain various federal and state permits and approvals to mine our coal deposits. The permitting rules, and the interpretations of these rules, are complex, change frequently, and are often subject to discretionary interpretations by regulators, all of which may make compliance more difficult or impractical, and which may possibly preclude the continuance of ongoing mine development or operations or the development of future mining operations. The EPA also has the authority to veto permits issued by the U.S. Army Corps of Engineers (the "Corps") under the CWA's Section 404 program that prohibits the discharge of dredged or fill material into regulated waters without a permit. The pace with which the government issues permits needed for new operations and for ongoing operations to continue mining, particularly CWA permits, can be time-consuming and subject to delays and denials. These delays or denials of environmental permits needed for mining could reduce our production and materially adversely impact our cash flow and results of operations.

For example, prior to placing fill material in waters of the United States, such as with the construction of a valley fill, coal mining companies are required to obtain a permit from the Corps under Section 404 of the CWA. The permit can be either a Nation-Wide Permit ("NWP"), normally NWP 21, 49 or 50 for coal mining activities, or a more complicated individual permit. NWPs are designed to allow for an expedited permitting process, while individual permits involve a longer and more detailed review process. The EPA also has the authority to veto permits issued by the Corps under the CWA's Section 404 program that prohibits the discharge of dredged or fill material into regulated waters without a permit.

Prior to discharging any pollutants to waters of the United States, coal mining companies must obtain a National Pollutant Discharge Elimination System ("NPDES") permit from the appropriate state or federal permitting authority. NPDES permits include effluent limitations for discharged pollutants and other terms and conditions, including required monitoring of discharges. Changes and proposed changes in state and federally recommended water quality standards may result in the issuance or modification of permits with new or more stringent effluent limits or terms and conditions. Further, on June 29, 2015, the EPA and the Corps published a new, more expansive, definition of "waters of the United States" that became effective on August 28, 2015 (the "2015 Rule"). This rule was stayed nationwide by the U.S. Court of Appeals for the Sixth Circuit pending the outcome of litigation concerning the rule. On January 22, 2018, the Supreme Court held that the courts of appeals do not have original jurisdiction to review challenges to the 2015 Rule. With this final rule, the agencies intend to maintain the status quo by adding an applicability date to the 2015 Rule and thus providing continuity and regulatory certainty for regulated entities, the States and Tribes, and the public while the agencies continue to consider possible revisions to the 2015 Rule. In light of this holding, in February 2018 the agencies published a final rule adding an applicability date to the 2015 Rule of February 6, 2020.

Further, the public has certain statutory rights to comment on and submit objections to requested permits and environmental impact statements prepared in connection with applicable regulatory processes, and otherwise engage in the permitting process, including bringing citizens' claims to challenge the issuance or renewal of permits, the validity of environmental impact statements or performance of mining activities. As a result of such potential challenges, the permits we need may not be issued or renewed in a timely fashion or issued or renewed at all, or permits issued or renewed may not be maintained, may be challenged or may be conditioned in a manner that may restrict our ability to efficiently and economically conduct our mining activities, any of which would materially reduce our production, cash flow, and profitability.

Permitting rules may also require, under certain circumstances, that we obtain surface owner consent if the surface estate has been severed from the mineral estate. This could require us to negotiate with third parties for surface access that overlies coal we acquired or intend to acquire. These negotiations can be costly and time-consuming, lasting years in some instances, which can create additional delays in the permitting process. If we cannot successfully negotiate for land access, we could be denied a permit to mine coal we already own.

We and our owners and controllers are subject to the Applicant Violator System.

Under SMCRA and its state law counterparts, all coal mining applications must include mandatory "ownership and control" information, which generally includes listing the names of our officers and directors, and our principal stockholders owning 10 percent or more of our voting shares, among others. Ownership and control reporting requirements are designed to allow regulatory review of any entities or persons deemed to have ownership or control of a coal mine and bars the granting of a coal mining permit to any such entity or person (including any "owner and controller") who has had a mining permit revoked or suspended, or a bond or similar security forfeited within the five-year period preceding a permit application or application for a permit revision. Regulatory agencies also block the issuance of permits to an applicant who, or whose owner and controller, has permit violations outstanding that have not been timely abated.

A federal database, known as the Applicant Violator System ("AVS"), is maintained for this purpose. Certain relationships are presumed to constitute ownership or control, including the following: being an officer or director of an entity; being the operator of the coal mining operation; having the ability to commit the financial or real property assets or working resources of the permittee or operator; based on the instruments of ownership or the voting securities of a corporate entity, owning of record 10% or more of the mining operator, among others. This presumption, in most cases, can be rebutted where the person or entity can demonstrate that it in fact does not or did not have authority directly or indirectly to determine the manner in which the relevant coal mining operation is conducted. An ownership and control notice must be filed by us each time an entity obtains a 10% or greater interest in us. If we have unabated violations of SMCRA or its state law counterparts, have a coal mining permit suspended or revoked, or forfeit a reclamation bond, we and our "owners and controllers," as discussed above, may be prohibited from obtaining new coal mining permits, or amendments to existing permits, until such violations of law are corrected. This is known as being "permit-blocked." Additionally, Thomas M. Sauve and Mark C. Jensen are currently, or may be in the future, deemed an "owner or controller" of a number of other mining companies, as such, we could be permit-blocked based upon the violations of or permit-blocked status of an "owner or controller" of us.

We may be subject to additional limitations on our ability to conduct mining operations due to federal jurisdiction.

We may conduct some underground mining activities on properties that are within the designated boundary of federally protected lands or national forests where the above-mentioned restrictions within the meaning of SMCRA could apply. Federal court decisions could pose a potential restriction on underground mining within 100 feet of a public road as well as other restrictions. If these SMCRA restrictions ultimately apply to underground mining, considerable uncertainty would exist about the nature and extent of this restriction. While it could remain possible to obtain permits for underground mining operations in these areas even where this 100-foot restriction was applied, the time and expense of that permitting process would be likely to increase significantly, and the restrictions placed on the mining of those properties could adversely affect our costs.

Our prospective customers are subject to extensive existing and future government laws, regulations and other legal requirements relating to protection of the environment, which could negatively impact our business and the market for our products.

Coal contains impurities, including sulfur, mercury, chlorine and other elements or compounds, many of which are released into the air when coal is burned. Complying with regulations to address these emissions can be costly for our customers. For example, in order to meet the CAA limits for sulfur dioxide emissions from electric power plants, coal users must install costly pollution control devices, use sulfur dioxide emission allowances (some of which they may purchase), or switch to other fuels. Recent EPA rulemakings requiring additional reductions in permissible emission levels for coal-fired plants will likely make it costlier to operate coal-fired electric power plants and may make coal a less attractive fuel for electric power generation in the future. For example, the EPA's Cross-State Air Pollution Rule ("CSAPR") is one of a number of significant regulations that the EPA has issued or expects to issue that will impose more stringent requirements relating to air, water and waste controls on electric generating units. These rules also include the EPA's new requirements for coal combustion residues management, which were finalized in December 2014 and further regulate the handling of wastes from the combustion of coal. In addition, the EPA has formally adopted a revised final rule to reduce emissions of toxic air pollutants from power plants. More costly and stringent environmental regulations could adversely impact the operations of our customers, which could in turn adversely impact our business. A number of coal-fired power plants, particularly smaller and older plants, already have retired or announced that they will retire rather than retrofit to meet the obligations of these rules. Additional retirements of coal-fired power plants by prospective customers could further decrease demand for thermal coal and reduce our revenues and adversely affect our business and results of operations.

In addition, considerable uncertainty is associated with air emissions initiatives. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. More stringent air emissions limitations are either in place or are likely to be imposed in the short to medium term, and these limitations will likely require significant emissions control expenditures for many coal-fired power plants. As a result, some of our prospective customers may switch to other fuels that generate fewer of these emissions or may install more effective pollution control equipment that reduces the need for low-sulfur coal. Any further switching of fuel sources away from coal, closure of existing coal-fired power plants, or reduced construction of new coal-fired power plants could have a material adverse effect on demand for, and prices received for, our coal. In addition, our coke plant and steelmaking customers may face increased operational costs as a result of higher electric costs.

Apart from actual and potential regulation of air emissions and solid wastes from coal-fired plants, state and federal mandates for increased use of electricity from renewable energy sources could have an impact on the market for our coal. Several states have enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power. Possible advances in technologies and incentives, such as tax credits, to enhance the economics of renewable energy sources could make these sources more competitive with coal. Any reductions in the amount of coal consumed by electric power generators as a result of current or new standards for the emission of impurities, or current or new incentives to switch to renewable fuels or renewable energy sources, such as the CPP and various state programs, could reduce the demand for our coal, thereby reducing our revenues and adversely affecting our business, cash flows, results of operations and our ability to pay dividends to our common stockholders.

Environmental activism and initiatives aimed at limiting climate change and a reduction of air pollutants could interfere with our business activities, operations and ability to access capital sources.

Participants in the coal mining industry are frequently targeted by environmental activist groups that openly attempt to disrupt the industry. It is possible that we may be the target of such activism in the future, including when we attempt to grow our business through acquisitions, commence new mining operations or register our securities with the SEC. If that were to happen, our ability to operate our business or raise capital could be materially and adversely impacted.

In addition, there have also been efforts in recent years to influence the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other groups, promoting the divestment of fossil fuel equities and also pressuring lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. In California, for example, legislation was signed into law in October 2015 that required California's state pension funds to divest investments in companies that generate 50% or more of their revenue from coal mining, which was done by the established deadline of July 2017. Several large investment banks also announced that they had adopted climate change guidelines for lenders. The guidelines require the evaluation of carbon risks in the financing of electric power generation plants, which may make it more difficult for utilities to obtain financing for coal-fired plants. Other activist campaigns have urged banks to cease financing coal-driven businesses. As a result, the World Bank announced in December 2017 that it would no longer finance upstream oil and gas projects after 2019, apart from certain gas projects in the poorest countries in exceptional circumstances. The impact of such efforts may adversely affect the demand for and price of securities issued by us and impact our access to the capital and financial markets. In addition, several well-funded non-governmental organizations have explicitly undertaken campaigns to minimize or eliminate mining and the use of coal as a source of electricity generation. The net effect of these developments is to make it more costly and difficult to maintain our business and to continue to depress the market for coal.

Our mines are subject to stringent federal and state safety regulations that increase our cost of doing business at active operations and may place restrictions on our methods of operation. In addition, government inspectors in certain circumstances may have the ability to order our operations to be shut down based on safety considerations.

The Federal Mine Safety and Health Act of 1977 (the "Mine Act") and Mine Improvement and New Emergency Response Act (the "MINER Act"), and regulations issued under these federal statutes, impose stringent health and safety standards on mining operations. The regulations that have been adopted under the Mine Act and the MINER Act are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, roof control, ventilation, blasting, use and maintenance of mining equipment, dust and noise control, communications, emergency response procedures, and other matters. MSHA regularly inspects mines to ensure compliance with regulations promulgated under the Mine Act and MINER Act. In addition, Kentucky has similar programs for mine safety and health regulation and enforcement. The various requirements mandated by federal and state statutes, rules, and regulations may place restrictions on our methods of operation and potentially result in fees and civil penalties for violations of such requirements or criminal liability for the knowing violation of such standards, significantly impacting operating costs and productivity. In addition, government inspectors have the authority to issue orders to shut down our operations based on safety considerations under certain circumstances, such as imminent dangers, accidents, failures to abate violations, and unwarrantable failures to comply with mandatory safety standards.

The regulations enacted under the Mine Act and MINER Act as well as under similar state acts are routinely expanded, raising compliance costs and increasing potential liability. For example, in 2014, MSHA finalized a new rule limiting miners' exposure to respirable coal dust. The first phase of the rule went into effect as of August 1, 2014, and requires, among other things, single shift sampling to determine noncompliance and corrective action to remedy any excessive levels of dust. The next phase of the rule went into effect as of February 1, 2016 and requires increased sampling frequency and the use of continuous personal dust monitors. This and other future mine safety rules could potentially result in or require significant expenditures, as well as additional safety training and planning, enhanced safety equipment, more frequent mine inspections, stricter enforcement practices and enhanced reporting requirements. At this time, it is not possible to predict the full effect that new or proposed statutes, regulations and policies will have on our operating costs, but any expansion of existing regulations, or making such regulations more stringent may have a negative impact on the profitability of our operations. If we were to be found in violation of mine safety and health regulations, we could face penalties or restrictions that may materially and adversely impact our operations, financial results and liquidity.

We must also compensate employees for work-related injuries. State workers' compensation acts typically provide for an exception to an employer's immunity from civil lawsuits for workplace injuries in the case of intentional torts. In such situations, an injured worker would be able to bring suit against his or her employer for damages in excess of workers' compensation benefits. In addition, Kentucky's workers' compensation act provides a much broader exception to workers' compensation immunity, allowing an injured employee to recover against his or her employer if he or she can show damages caused by an unsafe working condition of which the employer was aware and that was a violation of a statute, regulation, rule or consensus industry standard. These types of lawsuits are not uncommon and could have a significant effect on our operating costs.

In addition, we have obtained from a third-party insurer a workers' compensation insurance policy, which includes coverage for medical and disability benefits for black lung disease under the Federal Coal Mine Health and Safety Act of 1969 and the Mine Act, as amended. We perform periodic evaluations of our black lung liability, using assumptions regarding rates of successful claims, discount factors, benefit increases and mortality rates, among others. Of note, the Affordable Care Act of 2010 significantly amended the black lung provisions of the Mine Act by reenacting two provisions, which had been eliminated in 1981. Under the amendments, a miner with at least fifteen years of underground coal mine employment (or surface mine employment with similar dust exposure) who can prove that he suffers from a totally disabling respiratory condition is entitled to a rebuttable presumption that his disability is caused by black lung. The other amendment provides that the surviving spouse of a miner who was collecting federal black lung benefits at the time of his death is entitled to a continuation of those benefits. These changes could have a material impact on our costs expended in association with the federal black lung program.

We have reclamation, mine closing, and related environmental obligations under the Surface Mining Control and Reclamation Act. If the assumptions underlying our accruals are inaccurate, we could be required to expend greater amounts than anticipated.

SMCRA establishes operational, reclamation and closure standards for our mining operations. SMCRA requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of mining activities. Permits for all mining operations must be obtained from the U.S. Office of Surface Mining ("OSM") or, where state regulatory agencies have adopted federally approved state programs under SMCRA, the appropriate state regulatory authority. Our operations are located in states which have achieved primary jurisdiction for enforcement of SMCRA through approved state programs. See "Business—Environmental and Other Regulatory Matters."

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

In addition, SMCRA imposes a reclamation fee on all current mining operations, the proceeds of which are deposited in the Abandoned Mine Reclamation Fund ("AML Fund"), which is used to restore unreclaimed and abandoned mine lands mined before 1977. The current per ton fee is \$0.28 per ton for surface mined coal and \$0.12 per ton for underground mined coal. These fees are currently scheduled to be in effect until September 30, 2021. We accrue for the costs of current mine disturbance and of final mine closure, including the cost of treating mine water discharge where necessary.

The amounts recorded are dependent upon a number of variables, including the estimated future closure costs, the amount of estimated coal deposits, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted risk-free interest rates. If these accruals are insufficient or our liability in a particular year is greater than currently anticipated, our future operating results could be adversely affected. We are also required to post bonds for the cost of a coal mine as a condition of our mining activities.

Volatility in the Products We Sell.

Our business plan involves selling coal to various customers, and the price of coal has historically been volatile and unpredictable. Any significant change in the price of coal could cause detriment to our ability to execute our business plan or our ability to be profitable.

Limited Operating History.

We have a limited operating history and have incurred significant losses to date, and our current profitability is not guaranteed, and we may incur significant losses in the future.

We have generated limited revenues from the sale of our products, and our business may fail if we are not able to mine the coal, not successfully sell the coal we produce, or if we produce the coal at a loss.

The successful development of our business depends on our ability to efficiently and cost-effectively mine, transport, and process coal that will be purchased at a price above our costs.

Our business currently requires substantial capital expenditures and any expansion of our operations requires substantial capital investment and we may not have access to the capital required to reach profitability.

Maintaining and expanding our existing business is capital intensive. Specifically, the ongoing expenses of coal mining and processing, the required capital investment for any new mines going into production, and compliance with the applicable laws and regulations all require substantial capital expenditures. In order to maintain compliance of existing or future regulations, we invest significant capital and continue to invest significant capital to maintain our production and operations. We cannot assure you that we will be able to maintain our existing or future levels of business or generate sufficient cash flow, or that we will have access to sufficient financing to continue our production, development or marketing at or above our present levels and on our current or projected timelines and we may be required to defer all or a portion of our capital expenditures. Our results of operations, business and financial condition, as well as our ability to satisfy our obligations may be materially adversely affected if we cannot make such capital expenditures.

Our business is highly contractual in nature and failure to adhere to the terms of agreements, such as mineral lease agreements, may result in significant business impairment.

All of our material coal deposits and surface rights are leased from mineral and surface owners, such as Elk Horn Coal Company, LLC, Alma Land Company, Big Sandy Company, LP, Kentucky Berwind Land Company, and various individuals and companies (including potentially Land Resources & Royalties LLC in the future). Our ability to retain these coal leases is dependent on our ability to meet the contractual obligations of the leases, such as payments of royalties and other performance metrics. Failure to adhere to the lease agreements may result in significant impairment of our business, including the loss of coal deposits under management, loss of revenue, loss of certain operational divisions, and/or additional costs incurred by our business.

A defect in title or the loss of a leasehold interest in certain property could limit our ability to mine our coal deposits or result in significant unanticipated costs.

We conduct our coal mining operations on properties that we lease. A title defect or the loss of a lease could adversely affect our ability to mine the associated coal deposit. We may not verify title to our leased properties or associated coal deposits until we have committed to developing those properties or coal deposits. We may not commit to develop property or coal deposits until we have obtained necessary permits and completed exploration. As such, the title to property that we intend to lease or coal deposits that we intend to mine may contain defects prohibiting our ability to conduct mining operations. Similarly, our leasehold interests may be subject to superior property rights of other third parties or to royalties owed to those third parties. In order to conduct our mining operations on properties where these defects exist, we may incur unanticipated costs. In addition, some leases require us to produce a minimum quantity of coal and require us to pay minimum production royalties. Our inability to satisfy those requirements may cause the leasehold interest to terminate.

We outsource certain aspects of our business to third party contractors, which subjects us to risks, including disruptions in our business.

A significant portion of our business is operated via contractor model, in which we contract with third parties to provide coal extraction, coal mining, blasting services, and other operational functions at all of our mines. In addition, we contract with third parties to provide truck transportation services between our mines and our preparation plants. Accordingly, we are subject to the risks associated with the contractors' ability to successfully provide the necessary services to meet our needs. If the contractors are unable to adequately provide the contracted services, and we are unable to find alternative service providers in a timely manner, our ability to conduct our coal mining operations and deliver coal to our customers may be disrupted.

Our coal sale agreements are subject to quality specifications that we may not be able to meet, resulting in lower sales price of our coal or non-acceptance of delivery of our coal by the customer.

The coal we sell is subject to stated specifications or a range of specifications, such as heat value (BTU/lb value), percent sulfur, percent volatile matter, and percent ash, among other characteristics. Failure to meet these characteristics on a particular order, or in general, could result in rejection of coal delivery, non-payment of coal sales, and/or refusal to continue the sales relationship. Any of these factors could have a detrimental effect on our business and our ability to sell our coal and pay our expenses.

Our coal is sold primarily through various regional coal brokers and our ability to sell our coal to these brokers and receive payment for such sales is dependent on their ability to properly operate and manage their business.

For the coal we sell to brokers and intermediaries, which is all of our sales currently and anticipated to be a significant portion of our sales going forward, the ability to utilize such brokers is dependent on their ability to successfully operate their business. Inability to operate their business or impairment of their business will result in our inability to sell coal to such brokers and intermediaries.

Furthermore, there is the risk that any broker or intermediary fails to pay for any coal delivered, either in whole or in part, due to a potential combination of factors, such as:

- improper coal qualities and characteristics that don't meet delivery specifications;
- delay in the broker and/or intermediaries' receipt of payment(s);
- fraudulent activity of the broker and/or intermediary; and
- bankruptcy of the broker and/or intermediary.

Any failure to receive payment from our brokers and/or intermediaries could result in severe impairment or bankruptcy of our business.

Furthermore, for the coal we may sell directly to the end-customer, our ability to receive payment for the coal we sell depends on the continued creditworthiness of our customers. The current economic volatility and tightening credit markets increase the risk that we may not be able to collect payments from our customers. A continuation or worsening of current economic conditions or other prolonged global or U.S. recessions could also impact the creditworthiness of our customers. If the creditworthiness of a customer declines, this would increase the risk that we may not be able to collect payment for all of the coal we sell to that customer. If we determine that a customer is not creditworthy, we may not be required to deliver coal under the customer's coal sales contract. If we are able to withhold shipments, we may decide to sell the customer's coal on the spot market, which may be at prices lower than the contract price, or we may be unable to sell the coal at all. Furthermore, the bankruptcy of any of our customers could have a material adverse effect on our financial position. In addition, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk of payment default.

Our assets and operations are concentrated in eastern Kentucky, and a disruption within that geographic region could adversely affect the Company's performance.

We currently rely exclusively on sales generated our coal extraction within eastern Kentucky's Central Appalachian coal region. Due to our lack of diversification in geographic location, an adverse development in these areas, including adverse developments due to catastrophic events or weather and decreases in demand for coal or electricity, could have a significantly greater adverse impact on our ability to operate our business and our results of operations than if we held more diverse assets and locations.

Some officers and management of the Company may spend a substantial amount of time managing the business and affairs of other businesses and of other interests.

The officers and management of the Company have other business interests that may require substantial time apart from management of the Company. Furthermore, these other business interests may or may not compete directly with the business of the Company. These officers may face a conflict regarding the allocation of their time between our business and the other business interests of the Company, and as a result our business may be adversely affected if the officers spend less time on our business and affairs than would otherwise be available as a result of such officers' time being split between the management of the Company. These officers may also be conflicted when negotiating the terms of contracts between the Company and other company interests, although the officers will act in the best faith of the Company, or recuse themselves from the negotiations, should a potential conflict arise

Our business model may result in various legal proceedings, which may have an adverse effect on our business.

Due to the nature of our business, at times we may be involved in legal proceedings incidental to our normal business activities. We will not be able to predict the outcome, and there is always the potential that the costs of litigation in an individual matter or the aggregation of many matters could have an adverse effect on our cash flows, results of operations or financial position.

Risk Related to Environmental Reclamation and Remediation.

We have a large amount of reclamation liability and large number of regulatory requirements as part of our operations. Our inability to perform our reclamation or regulatory requirements under local, state, or federal laws may result in fines or governmental orders that limit, impair, or stop our ability to operate. Regulatory fines may be substantial in nature and may significantly impact our operational results. Furthermore, we have several permit sites that require constant water monitoring and treatment for the foreseeable future due to the poor quality of water present within the permit.

We do not have Proven or Probable mineral reserves for any of our properties.

Unlike other mining companies who have completed a feasibility study, we do not have any Proven or Probable reserves as described and defined in the Securities and Exchange Commission's Industry Guide 7. As a result, we incur additional risks as compared to these other mining companies from the fact that we are operating mines without establishing a Proven or Probable mineral reserve. These risks may include, but are not limited to, the inherent risk to commence production without a feasibility study that establishes the economic recovery of any coal mineralization, as well as possible volatility in earnings due to our inability to record certain investments as assets in our financial statements, such as new mine construction and development costs.

Risks Related to this Offering and Our Common Stock

We have broad discretion in the use of the net proceeds we receive from this offering and may not use them effectively.

Although we intend to use a portion of the net proceeds we receive to repay certain indebtedness as described under "Use of Proceeds," we cannot specify with certainty the particular other uses of the net proceeds that we will receive from such purchase. Our management will have broad discretion in the application of such proceeds, including for any of the purposes described in "Use of Proceeds." Accordingly, you will have to rely upon the judgment of our management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. Our management may spend a portion or all of the net proceeds from this offering in ways that our stockholders may not desire or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

Our ability to pay dividends may be limited by the amount of cash we generate from operations following the payment of fees and expenses, by restrictions in any future debt instruments and by additional factors unrelated to our profitability.

We intend to pay special and regular quarterly dividends. The declaration and payment of dividends, if any, is subject to the discretion of our board of directors and the requirements of applicable law. The timing and amount of any dividends declared will depend on, among other things: (a) our earnings, earnings outlook financial condition, cash flow, cash requirements and outlook on current and future market conditions, (b) our liquidity, including our ability to obtain debt and equity financing on acceptable terms, (c) restrictive covenants in any future debt instruments and (d) provisions of applicable law governing the payment of dividends.

The metallurgical coal industry, and the coal industry in general, is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash, if any, that is available for the payment of dividends. The amount of cash we generate from operations and the actual amount of cash we will have available for dividends will vary based upon, among other things:

- the development of our properties into producing coal mines;
- the ability to begin generating significant revenues and operating cash flows;
- the market price for coal;
- overall domestic and global economic conditions, including the supply of and demand for domestic and foreign coal, coke and steel;
- unexpected operational events or geological conditions;
- cost overruns;
- our ability to enter into agreements governing the sale of coal, which are generally short-term in nature and subject to fluctuations in market pricing;
- the level of our operating costs;
- prevailing global and regional economic and political conditions;
- changes in interest rates;
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry;
- delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits;
- modification or revocation of our dividend policy by our board of directors; and
- the amount of any cash reserves established by our board of directors.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which will be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends.

We currently pay a 10.0% annual dividend on our Series C preferred stock, which is compounded on an annual basis and no accrual has been made as of the date of this filing. In the past, we paid an 8.0% annual dividend on our Series B preferred stock, of which an accrued amount was recorded of \$104,157, as of September 30, 2018, and continues to accrue to the Series B preferred stock holder at the same rate until all Series B preferred stock were converted to common stock on November 7, 2018. A total amount of \$114,290 in Series B preferred dividend was accrued to the Series B preferred holders and was added to the Series B preferred stock balance upon conversion into common shares on November 7, 2018. The conversion resulted in a total of 267,859 common shares issued to the former Series B preferred holders.

In addition, any future financing agreements may prohibit the payment of dividends if an event of default has occurred and is continuing or would occur as a result of the payment of such dividends.

We may not have sufficient surplus or net profits in the future to pay dividends, and our subsidiaries may not have sufficient funds, surplus or net profits to make distributions to us. As a result of these and the other factors mentioned above, we can give no assurance that dividends will be paid in the future.

The requirements of being a public company, including compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, related regulations of the SEC. Complying with these statutes, regulations and requirements will occupy a significant amount of time for our board of directors and management and will significantly increase our costs and expenses. We will need to:

- institute a more comprehensive compliance function;
- comply with rules promulgated by the OTC Pink or any other exchange that lists our shares;
- continue to prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish new internal policies, such as those relating to insider trading; and
- involve and retain to a greater degree outside counsel and accountants in the above activities.

Furthermore, while we generally must comply with Section 404 of the Sarbanes-Oxley Act of 2002 for our fiscal years, we are not required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until our first annual report subsequent to our ceasing to be an "emerging growth company" within the meaning of Section 2(a)(19) of the Securities Act. Accordingly, we may not be required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until as late as our annual report for the fiscal year ending December 31, 2018. Once it is required to do so, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. Compliance with these requirements may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

In addition, we expect that being a public company subject to these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed.

We cannot be certain that our efforts to develop and maintain our internal controls will be successful, that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Section 404 of the Sarbanes Oxley Act of 2002. Any failure to develop or maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock.

The offering price of our common stock may not be indicative of the market price of our common stock after this offering or throughout the course of our sale of shares under this offering. In addition, an active, liquid and orderly trading market for our common stock may not develop or be maintained, and our stock price may be volatile and/or decrease substantially as a result of the sale of the shares under this offering.

Prior to this offering, our common stock was very thinly traded on the OTC Pink markets. An active, liquid and orderly trading market for our common stock may not develop or be maintained after this offering. Active, liquid and orderly trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. The offering price will be determined by us and the underwriters in this offering and may be more or less than the market price of our stock after this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering and the common stock offered under this prospectus may be sold significantly less than the market price of the stock or the anticipated offering price.

The following factors could affect our stock price:

- our operating and financial performance;
- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income and revenues;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by our competitors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- speculation in the press or investment community;
- the failure of research analysts to cover our common stock;
- sales of our common stock by us or underwriters or the perception that such sales may occur;
- our payment of dividends;
- changes in accounting principles, policies, guidance, interpretations or standards;
- additions or departures of key management personnel;
- actions by our stockholders;
- general market conditions, including fluctuations in commodity prices;
- domestic and international economic, legal and regulatory factors unrelated to our performance; and
- the realization of any risks described under this "Risk Factors" section.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition.

Certain of our directors, members of our management team, and officers have significant duties with, and spend significant time serving, other entities, including those entities that may compete with us in seeking acquisitions and business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities.

Certain of our directors, members of our management team and/or officers (such as Mark C. Jensen and Thomas M. Sauve, among others), who are responsible for managing the direction of our operations and acquisition activities, hold positions of responsibility with other entities (including T Squared Partners LP and other entities) that have other business interests and may find itself in the business of identifying and acquiring coal deposits. The existing positions held by these directors, members of our management team, and/or officers may give rise to fiduciary or other duties (such as devotion of time to the company) that are in conflict with the duties they owe to us. These directors, members of our management team, and/or officers, may become aware of business opportunities that may be appropriate for presentation to us as well as to the other entities with which they are or may become affiliated. Due to these existing and potential future affiliations, they may present potential business opportunities to other entities prior to presenting them to us, which could cause additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor. For additional discussion of our management's business affiliations and the potential conflicts of interest of which our stockholders should be aware, see "Certain Relationships and Related Party Transactions."

Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Florida law, will contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our amended and restated certificate of incorporation will authorize our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- limitations on the removal of directors;
- limitations on the ability of our stockholders to call special meetings;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders;
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our bylaws; and
- establishing advance notice and certain information requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Investors in this offering will experience immediate and substantial dilution.

The sale of up to [] shares under this prospectus could result in significant shareholder dilution and significantly negatively impact the share price of our stock. Furthermore, some investors in our stock may pay substantially different prices than other investors. There also exists the possibility that a large purchaser of our stock offered under this prospectus may negotiate a stock price that is more favorable than another purchaser of our stock offered under this prospectus, include the possibility of stock price that is priced at a variable rate to the market price of our stock. This would result in further significant and substantial dilution to all other holders of our common stock.

Future sales of our common stock in the public market, or the perception that such sales may occur, could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We may issue additional shares of common stock or convertible securities in subsequent public offerings. After the completion of this offering, we will have 23,298,530 outstanding shares of common stock. There may be no market for buyers of our common stock offered under this prospectus, or any sale of common stock under this prospectus may be sold at a substantial discount to the market price.

At some point after this offering, we intend to file a registration statement with the SEC on Form S-8 providing for the registration of up to 4,000,000 shares of our common stock issued or reserved for issuance under our equity incentive plan. Subject to the satisfaction of vesting conditions and the expiration of lock-up agreements, shares registered under the registration statement on Form S-8 will be available for resale immediately in the public market without restriction, subject to Rule 144 limitations with respect to affiliates. In addition, the issuance of shares of common stock upon the exercise of outstanding options will result in dilution to the interests of other stockholders. Please read "Description of Capital Stock— Outstanding Options or Warrants."

We cannot predict the size of future issuances of our common stock or securities convertible into common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock or the dividend amount payable per share on our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock or the dividend amount payable per share on our common stock.

Certain U.S. federal income tax preferences currently available with respect to coal exploration and development may be eliminated by future legislation.

From time to time, legislation is proposed that could result in the reduction or elimination of certain U.S. federal income tax preferences currently available to companies engaged in the exploration and development of coal. These proposals have included, but are not limited to, (1) the elimination of current deductions, the 60-month amortization period and the 10-year amortization period for exploration and development costs relating to coal and other hard mineral fossil fuels, (2) the repeal of the percentage depletion allowance with respect to coal properties, (3) the repeal of capital gains treatment of coal and lignite royalties and (4) the elimination of the domestic manufacturing deduction for coal and other hard mineral fossil fuels. The passage of these or other similar proposals could increase our taxable income and negatively impact the value of an investment in our common stock.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our amended and restated certificate of incorporation will authorize us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

In April 2012, President Obama signed into law the JOBS Act. We are classified as an “emerging growth company” under the JOBS Act. For as long as we are an emerging growth company, which may be up to five full fiscal years subsequent to our first sale of an equity security pursuant to registration in 2014, unlike other public companies, we will not be required to, among other things: (i) provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosure regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. We will remain an emerging growth company for up to five years subsequent to our first sale of an equity security pursuant to registration in 2014, although we will lose that status sooner if we have more than \$1.07 billion of revenues in a fiscal year, have more than \$700.0 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our common stock to be less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our common stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our common stock or if our operating results do not meet their expectations, our stock price could decline.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus includes “forward-looking statements.” All statements, other than statements of historical fact included in this prospectus, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in this prospectus.

Forward-looking statements may include statements about:

- our status as a recently organized corporation with limited operating history, limited current revenue and properties that have limited production history;
- deterioration of economic conditions in the steel industry or other markets for our coal, generally;
- deterioration of economic conditions in the metallurgical and/or thermal coal industry and other markets for our coal, generally;
- higher than expected costs to develop our planned mining operations, including, but not limited to, the costs to rehabilitate our mines;
- decreases in the estimated quantities or quality of our coal deposits;
- changes in the estimated geological conditions in our mines;
- our expectations relating to dividend payments and our ability to make such payments;
- our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of additional metallurgical coal deposits as currently contemplated or to fund the operations and growth of our business;
- increased maintenance, operating or other expenses or changes in the timing thereof;
- impaired financial condition and liquidity of our customers;
- increased competition in coal markets;
- decreases in the price of metallurgical coal and/or thermal coal;
- the impact of and costs of compliance with stringent domestic and foreign laws and regulations, including environmental, climate change and health and safety regulations, and permitting requirements, as well as changes in the regulatory environment, the adoption of new or revised laws, regulations and permitting requirements;
- the impact of potential legal proceedings and regulatory inquiries against us;
- our inability to effectively deploy the net proceeds of this offering;

- impact of weather and natural disasters on demand, production and transportation;
- reductions and/or deferrals of purchases by major customers and our ability to renew sales contracts;
- credit and performance risks associated with customers, suppliers, contract miners, co-shippers and trading, banks and other financial counterparties;
- geologic, equipment, permitting, site access, operational risks and new technologies related to mining;
- our ability to attract and retain employees;
- transportation availability, performance and costs;
- availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires;
- the existence of registration rights with respect to the securities being offered and the costs of compliance or penalties for noncompliance with such rights;
- the amount of expenses and other liabilities incurred or accrued after the completion of this offering;
- the lack of a public market for our securities; and
- the other risks identified in this prospectus including, without limitation, those under the headings "Risk Factors," "Business" and "Certain Relationships and Related Party Transactions."

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the development, production, gathering and sale of coal. These risks include, but are not limited to, commodity price volatility, demand for domestic and foreign steel, inflation, lack of availability of mining equipment and services, environmental risks, operating risks, regulatory changes, the uncertainty inherent in estimating coal deposits and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures and the other risks described under "Risk Factors" in this prospectus.

Should one or more of the risks or uncertainties described in this prospectus occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this prospectus.

USE OF PROCEEDS

We expect to receive approximately \$3,720,000 of net proceeds from the sale of the common stock offered by us, assuming the full sale of 1,000,000 common shares registered under this prospectus, other than the 15% underwriter's Over-Allotment and after deducting the underwriters discount of 7%.

We intend to use approximately \$1.0 million for the purchase of additional surface and underground equipment and parts and supplies for such equipment, or the rehabilitation of our current equipment. The equipment will be used to increase production at existing operating mines and bring other mines into production at our various operating subsidiaries.

We intend to use approximately \$0.5 million for future acquisitions of regional coal mines to complement our current regional operations, larger coal mining complexes, and/or other businesses related to the coal mining industry.

We intend to use approximately \$0.67 million for mine rehabilitation of our existing idled mines to bring these mines in production. The mine rehabilitation costs are primarily comprised of labor and mining supplies and are dependent on the amount of rehabilitation and the existing conditions at the idled mine.

We intend to use approximately \$0.67 million for partial repayment of certain debt and payables including amounts owed to management and related parties. We expect to fund our remaining current liabilities and satisfy our liquidity requirements with cash on hand, future borrowings and cash flow from operations. If future cash flows are insufficient to meet our liquidity needs or capital requirements, we may reduce our mine development and/or fund a portion of our expenditures through issuance of debt or equity securities, the entry into debt arrangements for from other sources, such as asset sales.

We intend to use approximately \$0.88 million for working capital, including the public company costs, closing costs, and general expenses of the company.

We do not intend to use any proceeds from this offering to satisfy Series C preferred stock accrued dividend amounts, if any exist at the time of this offering. The company has not yet accrued a dividend for the Series C preferred stock as of the date of this prospectus.

The expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions, which could change in the future as our plans and business conditions evolve. We believe the net proceeds from this offering, together with our current cash and investments, and projected cash flow from future operations will be sufficient to fund our initial phase of projected capital expenditures. However, the amounts and timing of our actual expenditures depend on numerous factors, including the progress of development of our properties, which involves numerous uncertainties described under "Risk Factors" included elsewhere in this prospectus. Accordingly, we may choose to reallocate or otherwise use the proceeds from this offering and will have broad discretion in the use of the net proceeds from this offering.

CAPITALIZATION

The following table summarizes our capitalization and cash and cash equivalents as of September 30, 2018:

- on an actual basis; and
- on an as adjusted basis to reflect (i) the sale by us of units in this offering based on a public offering price of \$[] per unit, assuming no exercise of the underwriters' option to purchase additional units, and (ii) the deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The nature and purpose of this capitalization table is to illustrate the pro-forma adjustments from our September 30, 2018 quarterly statement to the current date as of this filing and including the results of this offering. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operation," as well as our financial statements and related notes and the other financial information, appearing elsewhere in this prospectus.

	As of September 30, 2018 (unaudited)		
	Actual	Pro-Forma Adjustment	Pro-forma As-Adjusted
Cash & Cash Equivalents (8)(9)(15)	\$ 343,782	\$ 9,371,000	\$ 9,714,782
Fixed Assets and Coal Properties (1)(10)	12,118,730	50,106,101	62,224,831
Cash, Cash Equivalents, Fixed Assets and Coal Properties	12,462,512	59,477,101	71,939,613
Debt:			
Current Debt & Certain Payables (1)(2)(3)	21,543,180	8,222,000	29,765,180
Long Term Debt	5,072,493	-	-
Reclamation Liability (1)	22,565,375	234,240	22,799,615
Current Debt, Certain Payables, Long Term Debt and Reclamation Liability:	\$ 49,181,048	\$ 8,456,240	\$ 57,637,288
 Class A Common stock, \$0.0001 par value, 230,000,000 shares authorized, 1,192,044 shares issued and outstanding, actual and 23,138,700 issued and outstanding, as adjusted (1)(2)(3)(4)(5)(6)(8)(9)(10)(11)(12)(13)(14)	118	2,196	2,314
Series A Preferred stock, \$0.0001 par value, 4,817,792 shares authorized, 4,817,792 shares issued and outstanding, actual and no issued and outstanding, as adjusted (5)	482	(482)	-
Series B Preferred stock, \$0.001 par value, 20,000,000 shares authorized, 850,000 shares issued and outstanding, actual and 0 issued and outstanding, as adjusted (6)	850	(850)	-
Series C Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, 0 shares issued and outstanding, actual and 50,000 issued and outstanding, as adjusted (7)	-	5	5
Additional paid in capital (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)(13)(14)	19,816,567	51,267,192	71,073,841
Accumulated deficit (4)(11)	(50,265,183)	(247,200)	(50,512,383)
Total stockholders' equity	(30,447,166)	51,020,861	20,573,695
Total capitalization	18,733,882	59,477,101	78,210,893

(1) Acquisition of assets creating Wyoming County Coal LLC subsidiary. For discussion of the terms of the acquisitions see "Management's Discussion and Analysis". Management is still gathering the information needed to complete the allocation of the purchase price to the assets and acquired liabilities assumed

(2) Conversion of \$225,000 unrelated debt into 37,500 shares of Class A Common stock

(3) Conversion of \$36,000 of unrelated payables into 6,000 shares of Class A Common stock

(4) Pursuant to a consulting agreement, issued 10,000 shares of Class A Common stock

(5) Conversion of 4,817,792 shares of Series A Preferred stock into 16,059,307 shares of Class A Common stock

(6) Conversion of 964,290 shares (including accrued dividends) of Series B Preferred stock into 267,859 shares of Class A Common stock

(7) Sale of 50,000 shares of Series C Preferred stock

(8) Sale of 1,000,000 shares of newly registered Class A Common stock at \$4.00 per share.

(9) Sale of 20,200 previously registered Class A Common Shares for cash

(10) Acquisition of stock and membership interests of entities with non-operating assets consisting of surface and mineral ownership and other related agreements. The transaction is expected to close simultaneous with this offering. Consideration is in the form of 2,000,000 Class A common shares as well as \$500,000 cash and a promissory note totaling \$2,000,000 with a maturity of less than 1 year. The note is secured by a land contract on the acquired property. Further described in the discussion of subsequent events included in Note 8 to our consolidated interim financial statements appearing on page F-12. Management is still gathering the information needed to complete the allocation of the purchase price to the assets and acquired liabilities assumed

(11) Issuance of 9,000 of previously registered Class A Common Shares

(12) Cashless exercise of options into 668,847 Class A Common Shares

(13) Issuance of 150,000 Class A Common Shares for services.

(14) Issuance of 500 Class A Common Shares for the settlement of \$3,000 of trade payables.

(15) Loan agreement with an unrelated customer for an amount up to \$6,500,000 of which \$3,000,000 was advanced on December 31, 2018 and \$2,500,000 was advanced on February 1, 2019. The remaining balance of \$1,500,000 remains available for draw on-demand by the company. The proceeds of the loan are used for expansion of certain mines at the company's McCoy Elkhorn subsidiary and do not replace any of the use of proceeds expected from this offering, and

the company is not required to repay any of this loan from the proceeds of this offering. The promissory agreement carried interest at 5% annual interest rate and payments of principal and interest shall be repaid at a per-ton rate of coal sold to the lender. The outstanding amount of the note has a maturity of April 1, 2020. The note is secured by the assets of the Company

INFORMATION WITH RESPECT TO THE REGISTRANT

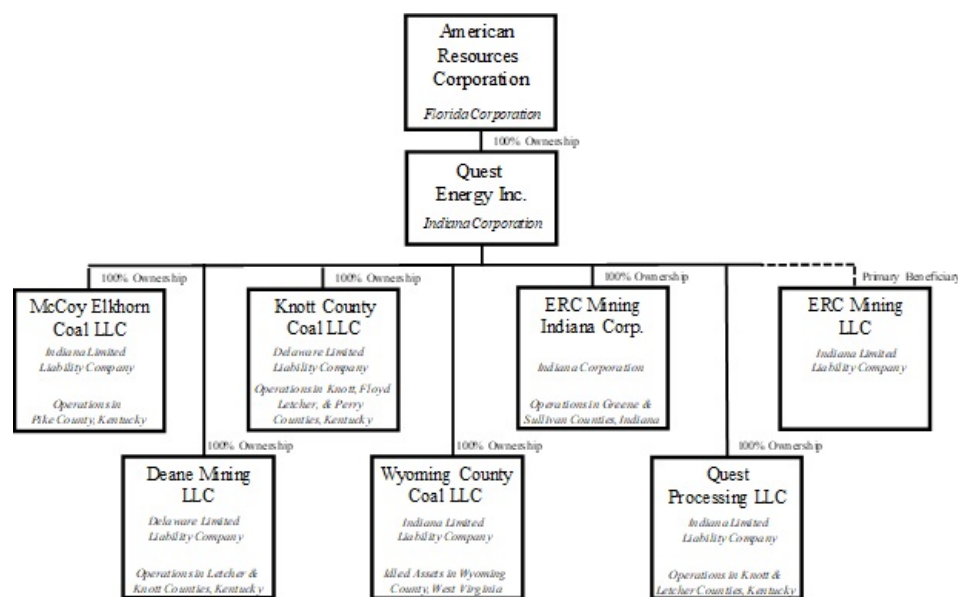
Description of Business, Principal Products, Services

We are a low-cost producer of primarily high-quality, metallurgical coal in eastern Kentucky. We began our Company on October 2, 2013 and changed our name from Natural Gas Fueling and Conversion Inc. to NGFC Equities, Inc. on February 25, 2015, and then changed our name from NGFC Equities, Inc. to American Resources Corporation on February 17, 2017. On January 5, 2017, ARC executed a Share Exchange Agreement between the Company and Quest Energy Inc., a private company incorporated in the State of Indiana with offices at 9002 Technology Lane, Fishers IN 46038, and due to the fulfillment of various conditions precedent to closing of the transaction, the control of the Company was transferred to the Quest Energy shareholders on February 7, 2017 resulting in Quest Energy becoming a wholly-owned subsidiary of ARC. Through its wholly-owned subsidiary Quest Energy, which is an Indiana corporation founded in June 2015, ARC was able to acquire coal mining and coal processing operations, substantially all located in eastern Kentucky. A majority of our domestic and international target customer base includes blast furnace steel mills and coke plants, as well as international metallurgical coal consumers, domestic electricity generation utilities, and other industrial customers. Pursuant to the definitions in Paragraph (a) (4) of the Securities and Exchange Commission's Industry Guide 7, our company and its business activities are deemed to be in the exploration stage until mineral reserves are defined on our properties.

We achieved initial commercial production of metallurgical coal in September 2016 from our McCoy Elkhorn Mine #15 and from our McCoy Elkhorn Carnegie 1 Mine in March 2017. In October 2017 we achieved commercial production of thermal coal from our Deane Mining Access Energy Mine and from our Deane Mining Razorblade Surface Mine in May 2018. We believe that we will be able to take advantage of recent increases in U.S. and global benchmark metallurgical and thermal coal prices and intend to opportunistically increase the amount of our projected production that is directed to the export market to capture favorable differentials between domestic and global benchmark prices. The Company commenced operations of two out of four of its internally owned preparation plants in July of 2016 (Bevins #1 and Bevins #2 Prep Plants at McCoy Elkhorn), with a third preparation plant commencing operation in October 2017 (Mill Creek Prep Plant at Deane Mining).

Distribution Methods Of The Products and Services

Quest Energy has six coal mining and processing operating subsidiaries: McCoy Elkhorn Coal LLC (doing business as McCoy Elkhorn Coal Company, "McCoy Elkhorn"), Knott County Coal LLC ("Knott County Coal"), Deane Mining LLC ("Deane Mining"), Wyoming County Coal LLC ("Wyoming County Coal"), ERC Mining Indiana Corporation ("ERC"), and Quest Processing LLC ("Quest Processing"), all of which are located in eastern Kentucky and West Virginia within the Central Appalachian coal basin, with the exception of ERC Mining Indiana Corporation, which is located in southwestern Indiana in the Illinois coal basin. Below is an organizational and ownership chart of our Company.



The coal deposits under control by the Company generally comprise of metallurgical coal (used for steel making), pulverized coal injections ("PCI", used in the steel making process) and high-BTU, low sulfur, low moisture bituminous coal used for a variety of uses within several industries, including industrial customers, specialty products and thermal coal used for electricity generation.

McCoy Elkhorn Coal LLC

General:

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

Mines:

Mine #15 is an underground mine in the Millard (also known as Glamorgan) coal seam and located near Meta, Kentucky. Mine #15 is mined via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the stockpile to McCoy Elkhorn's coal preparation facility. Mine #15 is currently a "company run" mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The coal from Mine #15 is stockpiled at the mine site and belted directly to the Company's nearby coal preparation facilities. Production at Mine #15 re-commenced under Quest Energy's ownership in September 2016. Mine #15 has the estimated capacity to produce up to approximately 40,000 tons per month of coal. The Company acquired Mine #15 as an idled mine, and since acquisition, the primary work completed at Mine #15 by the Company includes changing working sections within the underground mine, air ventilation enhancements primarily through brattice work and the use of overcasts and installing underground mining infrastructure as the mine advances due to coal extraction. In 2017, Mine #15 produced approximately 247,234 tons and sold the coal at an average price of \$67.23 per ton. In 2016, Mine #15 started production and produced approximately 62,941 tons and sold the coal at an average price of \$82.45 per ton. During 2017 and 2016, 100% and 100%, respectively, of the coal extracted from Mine #15 was high-vol "B" metallurgical coal quality, of which 71% and 100%, respectively, was sold into the metallurgical market, with the balance sold in the thermal market.

The Carnegie 1 Mine is an underground mine in the Alma and Upper Alma coal seams and located near Kimper, Kentucky. In 2011, coal production from the Carnegie 1 Mine in the Alma coal seam commenced and then subsequently the mine was idled. Production at the Carnegie 1 Mine was reinitiated in early 2017 under Quest Energy's ownership and is currently being mined via room-and-pillar mining methods utilizing a continuous miner. The coal is stockpiled on-site and trucked approximately 7 miles to McCoy Elkhorn's preparation facilities. The Carnegie 1 Mine is currently a "company run" mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The Carnegie 1 Mine has the estimated capacity to produce up to approximately 10,000 tons per month of coal. The Company acquired the Carnegie Mine as an idled mine, and since acquisition, the primary work completed at the Carnegie Mine by the Company includes mine rehabilitation work in preparation for production, changing working sections within the underground mine, air ventilation enhancements primarily through brattice work, and installing underground mining infrastructure as the mine advances due to coal extraction. In 2017, the first year of the mine's production, the Carnegie 1 Mine produced approximately 11,974 tons and sold the coal at an average price of \$59.78. During 2017, 100% of the coal extracted from the Carnegie Mine was high-vol "B" metallurgical coal quality, of which 51% was sold into the metallurgical market, with the balance sold in the thermal market.

The PointRock Mine is surface mine in a variety of coal seams, primarily in the Pond Creek, the Lower Alma, the Upper Alma, and Cedar Grove coal seams and located near Phelps, Kentucky. Coal has been produced from the PointRock Mine in the past under different operators. Quest Energy acquired the PointRock Mine in April 2018 and is currently performing reclamation work in advance of re-starting production, which is expected in later 2018. PointRock is anticipated to be mined via contour, auger, and highwall mining techniques. The coal will be stockpiled on-site and trucked approximately 23 miles to McCoy Elkhorn's preparation facilities. The PointRock Mine is anticipated to be operated as a modified contractor mine, whereby McCoy Elkhorn provides certain mining infrastructure and equipment for the operations and pays a contractor a fixed per-ton fee for managing the workforce, procuring other equipment and supplies, and maintaining the equipment and infrastructure in proper working order. The PointRock Mine has the estimated capacity to produce up to approximately 15,000 tons per month of coal and has not yet started coal production under McCoy Elkhorn's ownership.

Processing & Transportation:

The Bevins #1 Preparation Plant is an 800 ton-per hour coal preparation facility located near Meta, Kentucky, across the road from Mine #15. Bevins #1 has raw coal stockpile storage of approximately 25,000 tons and clean coal stockpile storage of 100,000 tons of coal. The Bevins #1 facility has a fine coal circuit and a stoker circuit that allows for enhance coal recovery and various coal sizing options depending on the needs of the customer. The Company acquired the Bevins Preparation Plants as idled facilities, and since acquisition, the primary work completed at the Bevins Preparation Plants by the Company includes rehabilitating the plants' warehouse and replacing belt lines.

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

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

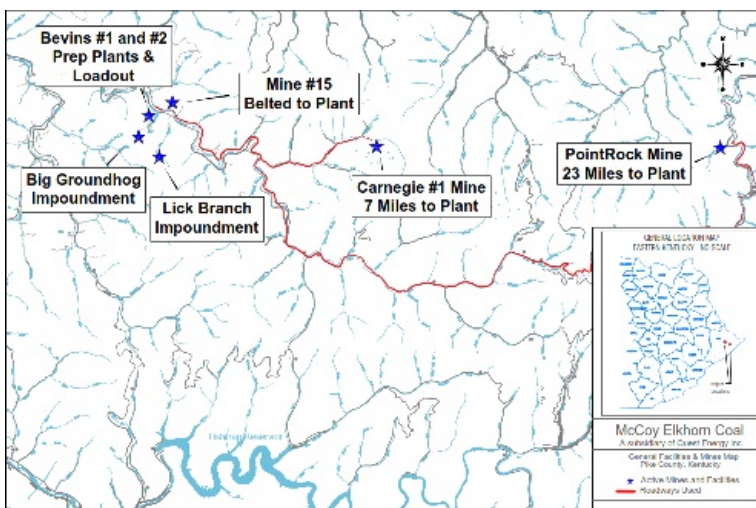
Both Bevins #1 and Bevins #2, as well as the rail loadout, are operational and any work required on any of the plants or loadouts would be routine maintenance. The allocated cost of for this property at McCoy Elkhorn Coal paid by the company is \$58,681.

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

Additional Permits:

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

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



Knott County Coal LLC

General:

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

Mines:

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

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

Processing & Transportation:

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

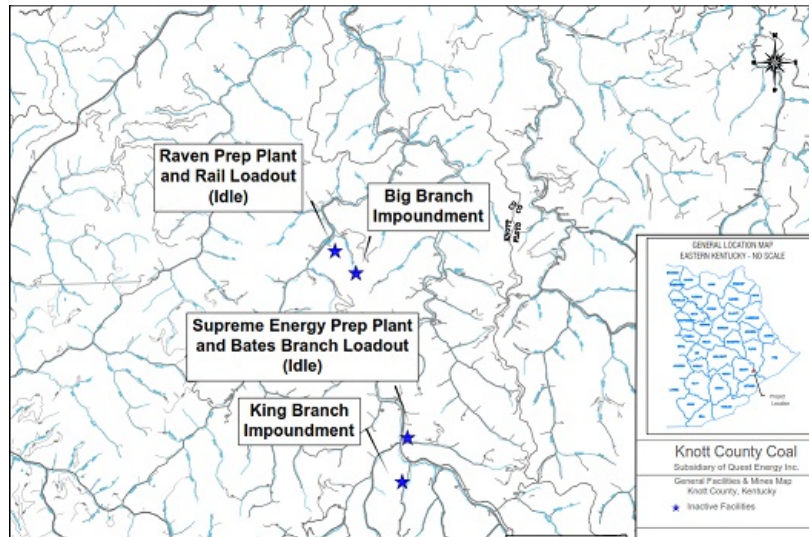
The Supreme Energy Preparation Plant is owned by Knott County Coal, subject to certain restrictions present in the agreement between Knott County Coal and the surface land owner, Land Resources & Royalties LLC.

The Company acquired the Supreme Energy Preparation Plants as an idled facility, and since acquisition, no work has been performed at the facility other than minor maintenance. Both the Supreme Energy Preparation Plant and the rail loadout are idled and would require an undetermined amount of work and capital to bring them into operation. The allocated cost of for the property at Knott County Coal paid by the company is \$200,236.

Additional Permits:

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

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



Deane Mining LLC

General:

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

Mines:

Access Energy is a deep mine in the Elkhorn 3 coal seam and located in Deane, Kentucky. Access Energy is mined via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the mine to the raw coal stockpile at the Mill Creek Preparation Plant across the road from Access Energy. Similar to McCoy Elkhorn’s Carnegie 1 Mine, Access Energy is currently run as a modified contractor mine, whereby Deane Mining provides the mining infrastructure and equipment for the operations and pays the contractor a fixed per-ton fee for managing the workforce, procuring the supplies, and maintaining the equipment and infrastructure in proper working order. The Company acquired Access Energy as an idled mine, and since acquisition, the primary work completed at Access Energy by the Company includes mine rehabilitation work in preparation for production, air ventilation enhancements primarily through brattice work, and installing underground mining infrastructure as the mine advances due to coal extraction. Access Energy has the estimated capacity to produce up to approximately 20,000 tons per month of coal. In 2017, the first year of the mine’s production, Access Energy produced approximately 43,286 tons and sold the coal at an average price of \$58.67 per ton. 100% of the coal sold from Access Energy in 2017 was sold as thermal coal.

Razorblade Surface is a surface mine currently mining the Hazard 4 and Hazard 4 Rider coal seams and located in Deane, Kentucky. Razorblade Surface is mined via contour, auger, and highwall mining methods, and the coal is stockpiled on site where it trucked to the Mill Creek Preparation Plant approximately one mile away for processing. Razorblade Surface is run as both a contractor mine and as a “company run” mine for coal extraction and began extracting coal in spring of 2018. Coal produced from Razorblade Surface will be trucked approximately one mile to the Mill Creek Preparation Plant. The Company acquired the Razorblade Surface mine as a new, undisturbed mine, and since acquisition, the primary work completed at Razorblade Surface has been some initial engineering work and removing overburden to access the coal. Razorblade Surface mine has the estimated capacity to produce up to approximately 8,000 tons per month of coal and started production in mid-2018 with nominal coal extracted and sold as thermal coal.

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

Processing & Transportation:

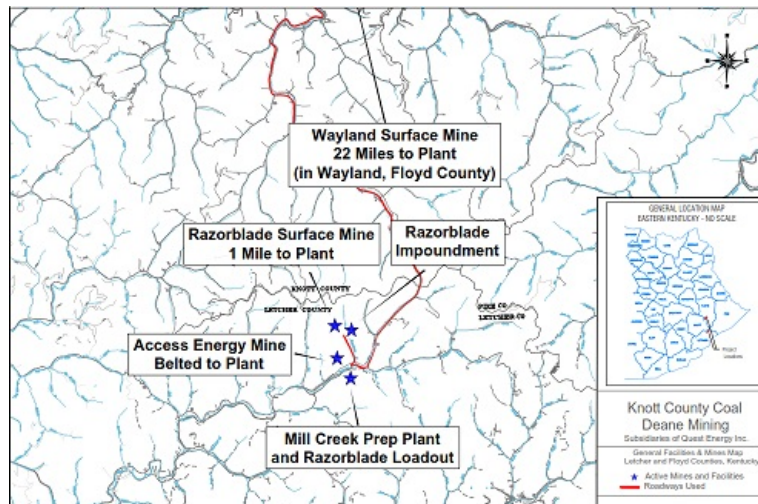
The Mill Creek Preparation Plant is an 800 ton-per-hour coal preparation facility located in Deane, Kentucky. The associated RapidLoader rail loadout is a batch-weight rail loadout with 110 car storage capacity and services by CSX Transportation in their Big Sandy and Elkhorn rate districts. The Mill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

Both the Mill Creek Preparation Plant and the rail loadout are operational, and any work required on any of the plant or loadouts would be routine maintenance. The allocated cost of for the property at Deane Mining paid by the company is \$2,655,505.

Additional Permits:

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

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



Wyoming County Coal LLC

General:

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

Mines:

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

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

Processing & Transportation:

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

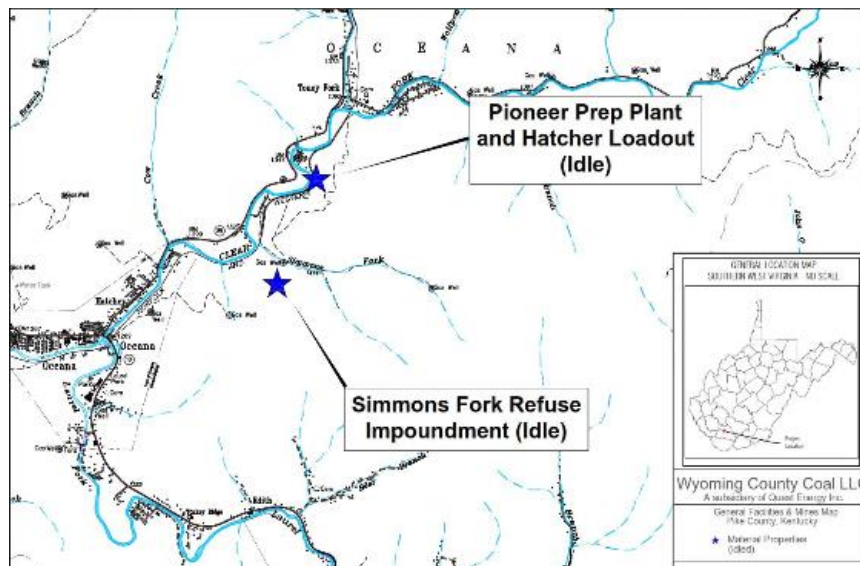
The Company is in the initial planning phase of getting estimates on the cost to upgrade the preparation facility to a modern 350 ton per hour preparation facility, although no cost estimates have yet been received. The Company is also in the initial planning phase of getting estimates on the cost and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

The Company acquired the Pioneer Preparation Plants as an idled facility, and since acquisition, no work has been performed at the facility. Both the Pioneer Preparation Plant and the rail loadout are idled and would require an undetermined amount of work and capital to bring them into operation, which is currently in the initial phases of planning and no cost estimates have been received. The allocated cost for the property at Wyoming County Coal will pay by the Company is \$22,926,101 of which \$22,326,101 has been paid.

Permits:

Wyoming County Coal holds two coal mining permits that are in the initial planning phase and three permits associated with the idled Pioneer Preparation Plant, the Hatcher rail loadout, and Simmons Fork Refuse Impoundment. Any mine that is brought into production would require significant upfront capital investment and there is no assurance of the feasibility of any such new operations.

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



Quest Processing LLC

Quest Energy's wholly-owned subsidiary, Quest Processing LLC, manages the assets, operations, and personnel of the certain coal processing and transportation facilities of Quest Energy's various other subsidiaries, namely the Supreme Energy Preparation Facility (of Knott County Coal LLC), the Raven Preparation Facility (of Knott County Coal LLC), and the Mill Creek Preparation Facility (of Deane Mining LLC). Quest Processing LLC was the recipient of a New Markets Tax Credit loan that allowed for the payment of certain expenses of these preparation facilities. As part of that financing transaction, Quest Energy loaned Quest MGMT LLC, an entity owned by members of Quest Energy, Inc.'s management, \$4,120,000 to facilitate the New Markets Tax Credit loan, of which is all outstanding as of December 31, 2017.

ERC Mining Indiana Corporation (the Gold Star Mine)

General:

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

Mine:

The Gold Star Mine, which is currently the only coal mining operation within ERC Mining Indiana Corporation (a wholly-owned subsidiary of Quest Energy Inc.). The Gold Star Mine is an underground mine located in the Indiana IV (aka Survant) coal seam, which is a low sulfur coal relative to other coal mining operations in the region. With a sulfur ranging from 1.0% to 1.5%, the coal has historically been sold to local power generating facilities that lack more advanced sulfur capture technologies, as well as to other regional coal producers to blend their sulfur lower to sell their coal at a premium.

Processing & Transportation:

Coal extracted from the Gold Star Mine is belted directly to the preparation facility on site. The coal can either be loaded to rail or transported via truck. The rail spur at Gold Star is serviced by the Indiana Rail Road Company and holds up to 116 rail cars.

The Gold Star Mine is currently idled and ARC management is pursuing potential sales orders for the coal. Any re-initiation of coal mining operations at the Gold Star Mine would require capital investment.

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

Status of any publicly announced new products or services

McCoy Elkhorn Coal LLC:

We are currently producing at Mine #15 and Carnegie 1 Mine at McCoy Elkhorn Coal and both of our preparation plants (Bevins 1 and Bevins 2) are operational, as is the rail loadout facility. Our PointRock surface mine is currently idled as we interview contractors for future production. We continue to develop our Carnegie 2 deep mine in the Alma coal seam and are working on other permit acquisition and/or development activities in the area of McCoy Elkhorn.

Knott County Coal LLC:

We are currently producing at our Wayland Surface mine. The coal from this mine processed and loaded to rail at the Mill Creek Preparation Plant and RapidLoader loadout of Deane Mining LLC. We continue permitting and development work on several other permits, including the Topper mine.

While Knott County Coal owns the Supreme Energy Preparation Plant and Bates Branch rail loadout, those facilities are currently idled and would require capital to rehabilitate to operational condition.

Deane Mining LLC:

We are currently producing at the Access Energy Mine, underground room and pillar operations, the Razorblade Surface mine, and our Mill Creek Preparation Plant is operational, as is the rail loadout facility. We continue to analyze additional coal mines that could be brought into production, assuming we achieve coal sales for such operations.

Wyoming County Coal LLC:

We currently do not have any operations at Wyoming County Coal LLC and do not anticipate having operations for the foreseeable future. While Wyoming County Coal LLC owns a preparation plant and rail loadout those facilities are currently idled and would require capital to rehabilitate to operational condition.

ERC Mining Indiana Corporation:

We have completed the rehabilitation of the Gold Star underground mine at ERC Mining Indiana Corp. and are working to obtain sales for this mine, although no time frame for production is currently anticipated. The coal will be belted directly to the on-site processing facility for coal processing and then anticipated to be loaded to rail or truck, depending on the customer's requirements. ERC Mining Indiana Corp. has a management agreement with an unrelated entity, LC Energy Operations LLC to manage an underground coal mine, clean coal processing facility and rail loadout for a monthly cash and per-ton fee. As part of that management agreement, LC Energy Operations LLC is required to provide funding for the operations at the Gold Star mine, and any cash flow from the operations of the Gold Star Mine for the foreseeable future will go to LC Energy Operations LLC to satisfy prior debt advanced to the Gold Star Mine.

Competitive Business Conditions And The Smaller Reporting Company's Competitive Position In The Industry And Methods Of Competition

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

Coal prices differ substantially by region and are impacted by many factors including the overall economy, demand for steel, demand for electricity, location, market, quality and type of coal, mine operation costs and the cost of customer alternatives. The major factors influencing our business are the global economy, the demand for steel, and the amount of coal being consumed for electricity generation.

Our initial marketing strategy is to focus on U.S.- and internationally-based blast furnace still mills and coke plants, and other customers where our coal is in demand. Our current sales are primarily conducted through the use of intermediaries and brokers who have established relationships with our potential end-customers, although we may develop and employ an in-house marketing team in the future.

The Company sells its coal to domestic and international customers, some which blend the Company's coal at east coast ports with other qualities of coal for export. Coal sales currently come from the Company's McCoy Elkhorn's Mine #15, McCoy Elkhorn's Carnegie Mine, and Deane Mining's Access Energy Mine. The Company may, at times, purchase coal from other regional producers to sell on its contracts.

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

Sources And Availability Of Raw Materials And The Names Of Principal Suppliers

Supplies used in our business include petroleum-based fuels, explosives, tires, conveyance structure, roof support supplies, ventilation supplies, lubricants and other raw materials as well as spare parts and other consumables used in the mining process. We use third-party suppliers for a significant portion of our equipment rebuilds and repairs, drilling services and construction. We also may utilize contract miners at our various operations. We believe adequate substitute suppliers and contractors are available and we are not dependent on any one supplier or contractor. We continually seek to develop relationships with suppliers and contractors that focus on reducing our costs while improving quality and service. Principal suppliers for our business include Drill Steel, Banks Miller, Mineral Labs, Jones Oil, and Maggard Sales & Service, among other regional and national suppliers of the Company.

Dependence On One Or A Few Customers

As of December 31, 2017, and 2016 63% and 78% of revenue and 99% and 97% of outstanding accounts receivable came from three and two customers, respectively. As of September 30, 2018, and 2017 76% and 100% of outstanding accounts receivable came from three and one customers, respectively. As of September 30, 2018, and 2017 85% and 72% of revenue came from three and four customers, respectively. Through our network of intermediaries, coal consolidators and end users, interested potential customers outpace our ability to fulfill potential orders. The Company's desire is to expand the customer base and those who have purchased our product.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements Or Labor Contracts, Including Duration

We do not have any registered trademarks or trade names for our products, services or subsidiaries, and we do not believe that any trademark or trade name is material to our business. However, the names of the seams in which we have coal deposits, and attributes thereof, are widely recognized in the coal markets. We are not a party to any union or collective bargaining agreements.

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

Need For Any Government Approval Of Principal Products Or Services

Prior to conducting any mining activities, we first need approval from various local and federal agencies. From our various acquisitions in 2015 and 2016, we are the holder of 56 coal mining permits issued by Kentucky Department of Natural Resources and one coal mining permit issued by Indiana Department of Natural Resources. The coal mining permits we hold are primarily located in eastern Kentucky, in the counties of Pike, Knott, Letcher, Perry, Floyd, Breathitt, and Leslie.

Effect Of Existing Or Probable Governmental Regulations On The Business

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

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

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

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

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

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

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

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

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

Abandoned Mine Lands Fund

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

Mining Permits and Approvals

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

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

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

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

Financial Assurance

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

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

Although our current bonding capacity approved by our surety, Lexon Insurance Company, is substantial and enough to cover our current and anticipated future bonding needs, this amount may increase or decrease over time. As of December 31, 2018 and September 30, 2018, we had outstanding surety bonds at all of our mining operations totaling approximately \$26.66 million, respectively. As of December 31, 2017, we had outstanding surety bonds at all of our mining operations totaling approximately \$24.80 million. While we anticipate reducing the outstanding surety bonds through continued reclamation of many of our permits, that number may increase should we acquire additional mining permits, acquire additional mining operations, expand our mining operations that result in additional reclamation bonds, or if any of our sites encounters additional environmental liability that may require additional reclamation bonding. While we intend to maintain a credit profile that eliminates the need to post collateral for our surety bonds, our surety has the right to demand additional collateral at its discretion.

Mine Safety and Health

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

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

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

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

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

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

Clean Air Act

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

- *Clean Air Interstate Rule and Cross-State Air Pollution Rule*. the Clean Air Interstate Rule ("CAIR") calls for power plants in 28 states and the District of Columbia to reduce emission levels of sulfur dioxide and nitrogen oxide pursuant to a cap-and-trade program similar to the system now in effect for acid rain. In June 2011, the EPA finalized the Cross-State Air Pollution Rule ("CSAPR"), a replacement rule to CAIR, which requires 28 states in the Midwest and eastern seaboard of the U.S. to reduce power plant emissions that cross state lines and contribute to ozone and/or fine particle pollution in other states. Following litigation over the rule, the EPA issued an interim final rule reconciling the CSAPR rule with a court order, which calls for Phase 1 implementation of CSAPR in 2015 and Phase 2 implementation in 2017. In September 2016, the EPA finalized an update to CSAPR for the 2008 ozone NAAQS by issuing the final CSAPR Update. Beginning in May 2017, this rule will reduce summertime (May—September) nitrogen oxide emissions from power plants in 22 states in the eastern United States. For states to meet their requirements under CSAPR, a number of coal-fired electric generating units will likely need to be retired, rather than retrofitted with the necessary emission control technologies, reducing demand for thermal coal. However, the practical impact of CSAPR may be limited because utilities in the U.S. have continued to take steps to comply with CAIR, which requires similar power plant emissions reductions, and because utilities are preparing to comply with the Mercury and Air Toxics Standards ("MATS") regulations, which require overlapping power plant emissions reductions.
- *Acid Rain*. Title IV of the CAA requires reductions of sulfur dioxide emissions by electric utilities and applies to all coal-fired power plants generating greater than 25 Megawatts of power. Affected power plants have sought to reduce sulfur dioxide emissions by switching to lower sulfur fuels, installing pollution control devices, reducing electricity generating levels or purchasing or trading sulfur dioxide emission allowances. These reductions could impact our customers in the electric generation industry. These requirements are not supplanted by CSAPR.

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

Global Climate Change

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of GHGs. There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steelmaking is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

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

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

At the federal level, no comprehensive climate change legislation has been implemented to date. The EPA has, however, has determined that emissions of GHGs present an endangerment to public health and the environment, because emissions of GHGs are, according to the EPA, contributing to the warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs under existing provisions of the CAA. For example, in August 2015, EPA finalized the CPP to cut carbon emissions from existing power plants. The CPP creates individualized emission guidelines for states to follow and requires each state to develop an implementation plan to meet the individual state's specific targets for reducing GHG emissions. The EPA also proposed a federal compliance plan to implement the CPP in the event that a state does not submit an approvable plan to the EPA. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the CPP. This stay suspends the rule and will remain in effect until the completion of the appeals process. The Supreme Court's stay only applies to EPA's regulations for CO2 emissions from existing power plants and will not affect EPA's standards for new power plants. If the CPP is ultimately upheld and depending on how it is implemented by the states, it could have an adverse impact on the demand for coal for electric generation.

At the state level, several states have already adopted measures requiring GHG emissions to be reduced within state boundaries, including cap-and-trade programs and the imposition of renewable energy portfolio standards. Various states and regions have also adopted GHG initiatives and certain governmental bodies, have imposed, or are considering the imposition of, fees or taxes based on the emission of GHGs by certain facilities. A number of states have also enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power.

The uncertainty over the outcome of litigation challenging the CPP and the extent of future regulation of GHG emissions may inhibit utilities from investing in the building of new coal-fired plants to replace older plants or investing in the upgrading of existing coal-fired plants. Any reduction in the amount of coal consumed by electric power generators as a result of actual or potential regulation of GHG emissions could decrease demand for our coal, thereby reducing our revenues and materially and adversely affecting our business and results of operations. We or prospective customers may also have to invest in CO2 capture and storage technologies in order to burn coal and comply with future GHG emission standards.

Finally, there have been attempts to encourage greater regulation of coalbed methane because methane has a greater GHG effect than CO2. Methane from coal mines can give rise to safety concerns and may require that various measures be taken to mitigate those risks. If new laws or regulations were introduced to reduce coalbed methane emissions, those rules could adversely affect our costs of operations by requiring installation of air pollution controls, higher taxes, or costs incurred to purchase credits that permit us to continue operations.

Clean Water Act

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

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

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

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

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

Resource Conservation and Recovery Act

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

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

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

Comprehensive Environmental Response, Compensation and Liability Act

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

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

Use of Explosives

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

National Environmental Policy Act

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

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

We are required to comply with numerous other federal, state, and local environmental laws and regulations in addition to those previously discussed. These additional laws include but are not limited to the Safe Drinking Water Act, the Toxic Substances Control Act, and the Emergency Planning and Community Right-to-Know Act. Each of these laws can impact permitting or planned operations and can result in additional costs or operational delays.

Estimate Of The Amount Of Money Spent During Each Of The Last Two Fiscal Years On Research And Development

The Company spent a de-minimis amount on research and development during its last two fiscal years.

Costs and Effects Of Compliance With Environmental Laws

As of December 31, 2017, and 2016, the cost of compliance with environmental laws amounted to \$190,940 and \$9,806, respectively. This amount represents the costs of the company associated with fines incurred from various regulations regarding environmental and safety compliance; please see elsewhere in this prospectus for additional detail regarding other reclamation and remediation costs, including the discussion surrounding our Asset Retirement Obligations (ARO) in Note 1 of the Notes to Consolidated Financial Statements located in the Index to Financial Statements.

DESCRIPTION OF PROPERTY

Our principal offices are located at 9002 Technology Lane, Fishers, Indiana 46038. We pay \$2,500 per month in rent for the office space and the rental lease expires in December 2018. We also rent office space from an affiliated entity, LRR, at 11000 Highway 7 South, Kite, Kentucky 41828 and pay \$500 per month rent and the rental lease expires October 30, 2021.

The Company also utilizes various office spaces on-site at its active coal mining operations and coal preparation plant locations in eastern Kentucky, with such rental payments covered under any surface lease contracts with any of the surface land owners. At McCoy Elkhorn Coal, located near Kimber, Kentucky, the Company owns two coal preparation facilities, a train loadout, and two active mines (Mine #15 and the Carnegie 1 Mine). At Knott County Coal, located in Kite, Kentucky, the Company owns one coal preparation facility, a train loadout, and one active mine (Wayland Surface). At Deane Mining, located in Deane, Kentucky, the Company owns one coal preparation facility, a train loadout, and two active mines (Access Energy and Razorblade Surface). At Wyoming County Coal, located in Oceana, West Virginia, the Company owns one coal preparation facility and a train loadout. At ERC, located near Jasonville, Indiana, the Company manages a coal processing facility, train loadout, and one underground mine (the Gold Star Mine). We lease the mineral and surface at all our key locations, with lease terms at our currently-operating, key properties typically expiring upon exhaustion of the mineral. Across our key properties, our mineral royalty rates payable to the mineral owner range from 5.0% to 11.0% of the gross sales price of our coal. All permits required to operate our material properties have been obtained. The source of power for all our key properties is Kentucky Power, and the source of water for all our key properties is either the local municipality or our existing water withdrawal permits that allow us to pull water from nearby streams. See “**Distribution Methods Of The Products and Services**” starting on page 46 for additional information and description of each mine. See “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” starting on page 63 for additional discussion around the capacity and utilization rate of our material properties and the work completed on our material properties.

We have not classified, and as a result, do not have any “proven” or “probable” reserves as defined in United States Securities and Exchange Commission Industry Guide 7. As a result, we are considered an exploration stage company pursuant to Paragraph (a) (4) of Industry Guide 7.

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

Currently we are trading on the OTC Pink markets under the symbol “AREC” and we have applied for a listing on the NASDAQ Global Select Market under the symbol “AREC”. There is presently very limited liquidity for our shares of Class A Common Stock and we can provide no assurance that our shares of Class A Common Stock will trade or that a public market will materialize.

(b) Holders

As of February 14, 2019, the Company had 217 shareholders of its Class A Common Stock, no shareholders of its Series A Preferred Stock, and 1 shareholder of its Series C Preferred Stock.

(c) Dividends

While we have not paid any dividends on our common stock since our inception, our longer-term objective is to pay dividends in order to enhance stockholder returns when the Board of Directors deems such action as in the best interest of its shareholders. Our Series C preferred stock, however, receives an 10.0% annual dividend, that accrues annually in arrears. As of the date of this prospectus, no Series C preferred stock dividend has accrued to any respective holder(s).

Any determination to declare a dividend, as well as the amount of any dividend that may be declared, will be based on the board of director's consideration of our financial position, earnings, earnings outlook, capital spending plans, outlook on current and future market conditions, alternative stockholder return methods such as share repurchases, and other factors that our board of directors considers relevant at that time. Our dividend policy may change from time to time, and there can be no assurance that we will declare any dividends at all or in any particular amounts. Please see "Risk Factors."

(d) Securities authorized for issuance under equity compensation plans

We currently have an employee incentive stock option plan ("Employee Incentive Stock Option Plan") in place that could result in additional options being issued to management at the discretion of the board of directors. To date there has been a total of 636,830 options issued under the Employee Incentive Stock Option Plan issued to various employees of the Company, of which 25,000 options vested immediately, with the remainder vesting equally over three years. In the future, we may file a registration statement on Form S-8 under the Securities Act to register any or all shares issuable under that Employee Incentive Stock Option Plan. Accordingly, should a Form S-8 become effective, shares registered under such registration statement may be made available for sale in the open market following the effective date, unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lock-up restrictions described above.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the "Selected Historical Financial Data" and the accompanying financial statements and related notes included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences are discussed elsewhere in this prospectus, particularly in "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements," all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

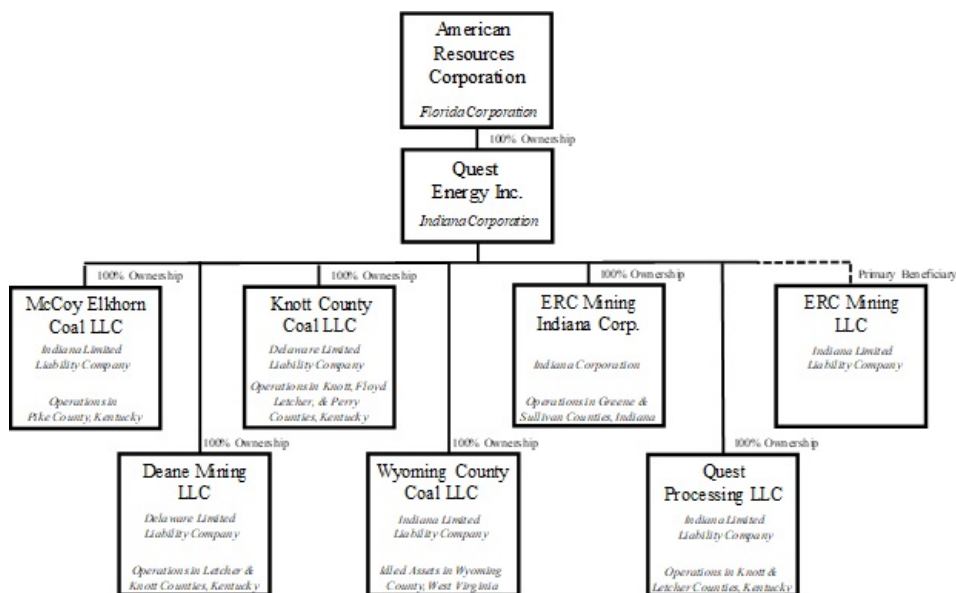
Company Overview

We are a low-cost producer of primarily high-quality, metallurgical coal in eastern Kentucky. We began our Company on October 2, 2013 and changed our name from Natural Gas Fueling and Conversion Inc. to NGFC Equities, Inc. on February 25, 2015, and then changed our name from NGFC Equities, Inc. to American Resources Corporation on February 17, 2017. On January 5, 2017, ARC executed a Share Exchange Agreement between the Company and Quest Energy Inc., a private company incorporated in the State of Indiana with offices at 9002 Technology Lane, Fishers IN 46038, and due to the fulfillment of various conditions precedent to closing of the transaction, the control of the Company was transferred to the Quest Energy shareholders on February 7, 2017 resulting in Quest Energy becoming a wholly-owned subsidiary of ARC. Through its wholly-owned subsidiary Quest Energy, which is an Indiana corporation founded in June 2015, ARC was able to acquire coal mining and coal processing operations, substantially all located in eastern Kentucky. A majority of our domestic and international target customer base includes blast furnace steel mills and coke plants, as well as international metallurgical coal consumers, domestic electricity generation utilities, and other industrial customers. Pursuant to the definitions in Paragraph (a) (4) of the Securities and Exchange Commission's Industry Guide 7, our company and its business activities are deemed to be in the exploration stage until mineral reserves are defined on our properties.

We achieved initial commercial production of metallurgical coal in September 2016 from our McCoy Elkhorn Mine #15 and from our McCoy Elkhorn Carnegie 1 Mine in March 2017. In October 2017 we achieved commercial production of thermal coal from our Deane Mining Access Energy Mine and from our Deane Mining Razorblade Surface Mine in May 2018. We believe that we will be able to take advantage of recent increases in U.S. and global benchmark metallurgical and thermal coal prices and intend to opportunistically increase the amount of our projected production that is directed to the export market to capture favorable differentials between domestic and global benchmark prices. The Company commenced operations of two out of four of its internally owned preparation plants in July of 2016 (Bevins #1 and Bevins #2 Prep Plants at McCoy Elkhorn), with a third preparation plant commencing operation in October 2017 (Mill Creek Prep Plant at Deane Mining).

Current Projects

Quest Energy has six coal mining and processing operating subsidiaries: McCoy Elkhorn Coal LLC (doing business as McCoy Elkhorn Coal Company, "McCoy Elkhorn"), Knott County Coal LLC ("Knott County Coal"), Deane Mining LLC ("Deane Mining"), Wyoming County Coal LLC ("Wyoming County Coal"), ERC Mining Indiana Corporation ("ERC"), and Quest Processing LLC ("Quest Processing"), all of which are located in eastern Kentucky and West Virginia within the Central Appalachian coal basin, with the exception of ERC Mining Indiana Corporation, which is located in southwestern Indiana in the Illinois coal basin. Below is an organizational and ownership chart of our Company.



The coal deposits under control by the Company generally comprise of metallurgical coal (used for steel making), pulverized coal injections ("PCI", used in the steel making process) and high-BTU, low sulfur, low moisture bituminous coal used for a variety of uses within several industries, including industrial customers, specialty products and thermal coal used for electricity generation.

McCoy Elkhorn Coal LLC

General:

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

Mines:

Mine #15 is an underground mine in the Millard (also known as Glamorgan) coal seam and located near Meta, Kentucky. Mine #15 is mined via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the stockpile to McCoy Elkhorn's coal preparation facility. Mine #15 is currently a "company run" mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The coal from Mine #15 is stockpiled at the mine site and belted directly to the Company's nearby coal preparation facilities. Production at Mine #15 re-commenced under Quest Energy's ownership in September 2016. Mine #15 has the estimated capacity to produce up to approximately 40,000 tons per month of coal. The Company acquired Mine #15 as an idled mine, and since acquisition, the primary work completed at Mine #15 by the Company includes changing working sections within the underground mine, air ventilation enhancements primarily through brattice work and the use of overcasts and installing underground mining infrastructure as the mine advances due to coal extraction. In 2017, Mine #15 produced approximately 247,234 tons and sold the coal at an average price of \$67.23 per ton. In 2016, Mine #15 started production and produced approximately 62,941 tons and sold the coal at an average price of \$82.45 per ton. During 2017 and 2016, 100% and 100%, respectively, of the coal extracted from Mine #15 was high-vol "B" metallurgical coal quality, of which 71% and 100%, respectively, was sold into the metallurgical market, with the balance sold in the thermal market.

The Carnegie 1 Mine is an underground mine in the Alma and Upper Alma coal seams and located near Kimper, Kentucky. In 2011, coal production from the Carnegie 1 Mine in the Alma coal seam commenced and then subsequently the mine was idled. Production at the Carnegie 1 Mine was reinitiated in early 2017 under Quest Energy's ownership and is currently being mined via room-and-pillar mining methods utilizing a continuous miner. The coal is stockpiled on-site and trucked approximately 7 miles to McCoy Elkhorn's preparation facilities. The Carnegie 1 Mine is currently a "company run" mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The Carnegie 1 Mine has the estimated capacity to produce up to approximately 10,000 tons per month of coal. The Company acquired the Carnegie Mine as an idled mine, and since acquisition, the primary work completed at the Carnegie Mine by the Company includes mine rehabilitation work in preparation for production, changing working sections within the underground mine, air ventilation enhancements primarily through brattice work, and installing underground mining infrastructure as the mine advances due to coal extraction. In 2017, the first year of the mine's production, the Carnegie 1 Mine produced approximately 11,974 tons and sold the coal at an average price of \$59.78. During 2017, 100% of the coal extracted from the Carnegie Mine was high-vol "B" metallurgical coal quality, of which 51% was sold into the metallurgical market, with the balance sold in the thermal market.

The PointRock Mine is surface mine in a variety of coal seams, primarily in the Pond Creek, the Lower Alma, the Upper Alma, and Cedar Grove coal seams and located near Phelps, Kentucky. Coal has been produced from the PointRock Mine in the past under different operators. Quest Energy acquired the PointRock Mine in April 2018 and is currently performing reclamation work in advance of re-starting production, which is expected in later 2018. PointRock is anticipated to be mined via contour, auger, and highwall mining techniques. The coal will be stockpiled on-site and trucked approximately 23 miles to McCoy Elkhorn's preparation facilities. The PointRock Mine is anticipated to be operated as a modified contractor mine, whereby McCoy Elkhorn provides certain mining infrastructure and equipment for the operations and pays a contractor a fixed per-ton fee for managing the workforce, procuring other equipment and supplies, and maintaining the equipment and infrastructure in proper working order. The PointRock Mine has the estimated capacity to produce up to approximately 15,000 tons per month of coal and has not yet started production under McCoy Elkhorn's ownership.

Processing & Transportation:

The Bevins #1 Preparation Plant is an 800 ton-per hour coal preparation facility located near Meta, Kentucky, across the road from Mine #15. Bevins #1 has raw coal stockpile storage of approximately 25,000 tons and clean coal stockpile storage of 100,000 tons of coal. The Bevins #1 facility has a fine coal circuit and a stoker circuit that allows for enhance coal recovery and various coal sizing options depending on the needs of the customer. The Company acquired the Bevins Preparation Plants as idled facilities, and since acquisition, the primary work completed at the Bevins Preparation Plants by the Company includes rehabilitating the plants' warehouse and replacing belt lines.

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

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

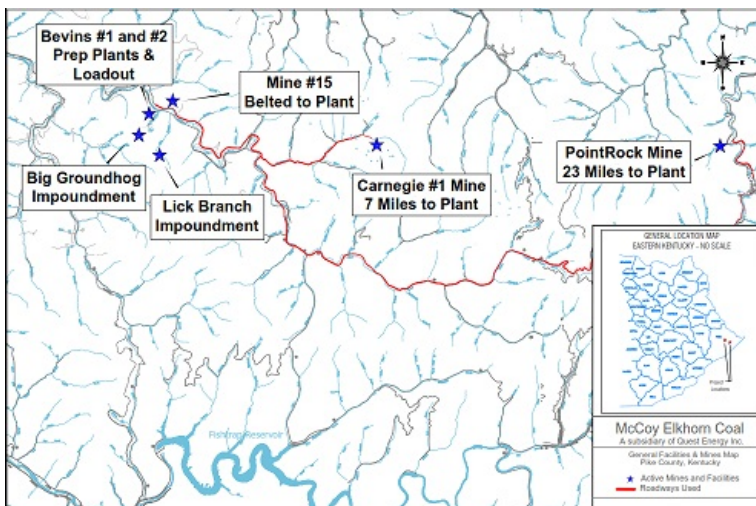
Both Bevins #1 and Bevins #2, as well as the rail loadout, are operational and any work required on any of the plants or loadouts would be routine maintenance. The allocated cost of for the property at McCoy Elkhorn Coal paid by the company is \$58,681.

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

Additional Permits:

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

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



Knott County Coal LLC

General:

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

Mines:

The Wayland Surface Mine is a surface waste-rock reprocessing mine in a variety of coal seams (primarily the Upper Elkhorn 1 coal seam) located near Wayland, Kentucky. The Wayland Surface Mine is mined via area mining through the reprocessing of previously processed coal, and the coal is trucked approximately 22 miles to the Mill Creek Preparation Plant at Deane Mining, where it is processed and sold. The Wayland Surface Mine is currently a "company run" mine, whereby the Company manages the workforce at the mine and pays all expenses of the mine. The Company acquired the Wayland Surface Mine as an idled mine, and since acquisition, the primary work completed at the Wayland Surface Mine has been removing overburden to access the coal. The Wayland Surface Mine has the estimated capacity to produce up to approximately 15,000 tons per month of coal and started production in mid-2018 with nominal coal extracted and sold as thermal coal.

During June 2018, production at the Wayland Surface Mine commenced under Quest Energy's ownership. The associated permit was purchased during May 2018.

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

Processing & Transportation:

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

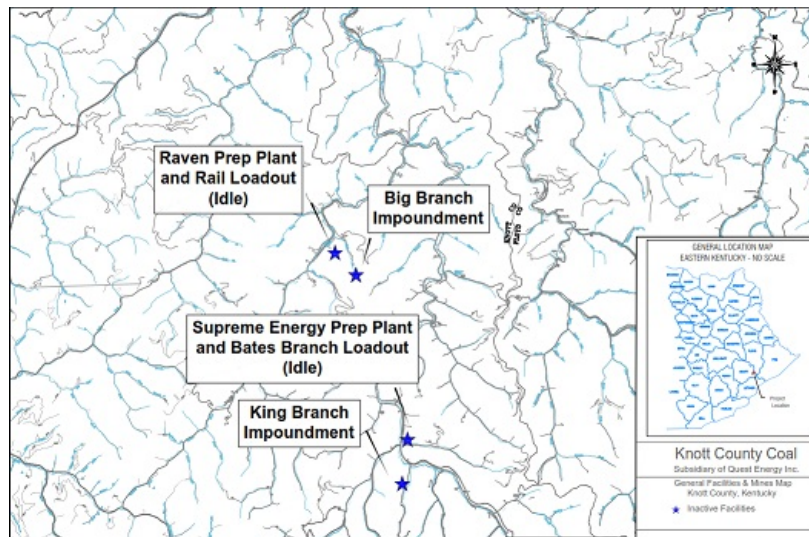
The Supreme Energy Preparation Plant is owned by Knott County Coal, subject to certain restrictions present in the agreement between Knott County Coal and the surface land owner, Land Resources & Royalties LLC.

The Company acquired the Supreme Energy Preparation Plants as an idled facility, and since acquisition, no work has been performed at the facility other than minor maintenance. Both the Supreme Energy Preparation Plant and the rail loadout are idled and would require an undetermined amount of work and capital to bring them into operation. The allocated cost of for the property at Knott County Coal paid by the company is \$200,236.

Additional Permits:

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

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



Deane Mining LLC

General:

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

Mines:

Access Energy is a deep mine in the Elkhorn 3 coal seam and located in Deane, Kentucky. Access Energy is mined via room-and-pillar mining methods using continuous miners, and the coal is belted directly from the mine to the raw coal stockpile at the Mill Creek Preparation Plant across the road from Access Energy. Similar to McCoy Elkhorn's Carnegie 1 Mine, Access Energy is currently run as a modified contractor mine, whereby Deane Mining provides the mining infrastructure and equipment for the operations and pays the contractor a fixed per-ton fee for managing the workforce, procuring the supplies, and maintaining the equipment and infrastructure in proper working order. The Company acquired Access Energy as an idled mine, and since acquisition, the primary work completed at Access Energy by the Company includes mine rehabilitation work in preparation for production, air ventilation enhancements primarily through brattice work, and installing underground mining infrastructure as the mine advances due to coal extraction. Access Energy has the estimated capacity to produce up to approximately 20,000 tons per month of coal. In 2017, the first year of the mine's production, Access Energy produced approximately 43,286 tons and sold the coal at an average price of \$58.67 per ton. 100% of the coal sold from Access Energy in 2017 was sold as thermal coal.

Razorblade Surface is a surface mine currently mining the Hazard 4 and Hazard 4 Rider coal seams and located in Deane, Kentucky. Razorblade Surface is mined via contour, auger, and highwall mining methods, and the coal is stockpiled on site where it trucked to the Mill Creek Preparation Plant approximately one mile away for processing. Razorblade Surface is run as both a contractor mine and as a "company run" mine for coal extraction and began extracting coal in spring of 2018. Coal produced from Razorblade Surface will be trucked approximately one mile to the Mill Creek Preparation Plant. The Company acquired the Razorblade Surface mine as a new, undisturbed mine, and since acquisition, the primary work completed at Razorblade Surface has been some initial engineering work and removing overburden to access the coal. Razorblade Surface mine has the estimated capacity to produce up to approximately 8,000 tons per month of coal and started production in mid-2018 with nominal coal extracted and sold as thermal coal.

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

Processing & Transportation:

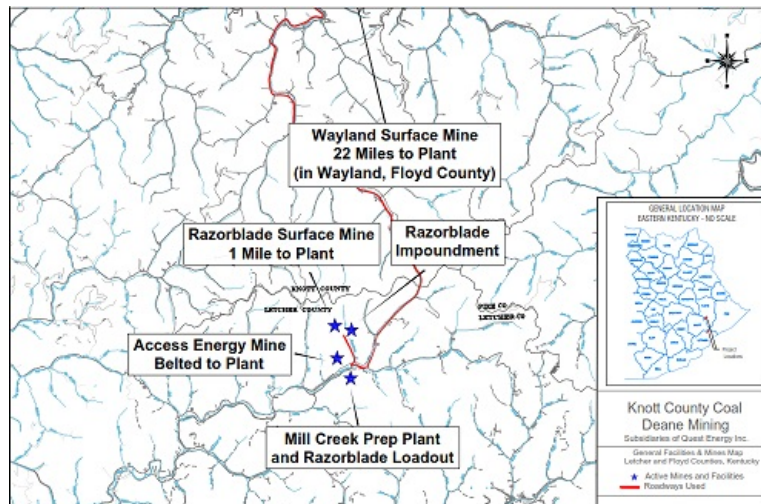
The Mill Creek Preparation Plant is an 800 ton-per-hour coal preparation facility located in Deane, Kentucky. The associated RapidLoader rail loadout is a batch-weight rail loadout with 110 car storage capacity and services by CSX Transportation in their Big Sandy and Elkhorn rate districts. The Mill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

Both the Mill Creek Preparation Plant and the rail loadout are operational, and any work required on any of the plant or loadouts would be routine maintenance. The total cost of for the property at Deane Mining paid by the company is \$2,655,505.

Additional Permits:

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

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



Wyoming County Coal LLC

General:

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

Mines:

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

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

Processing & Transportation:

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

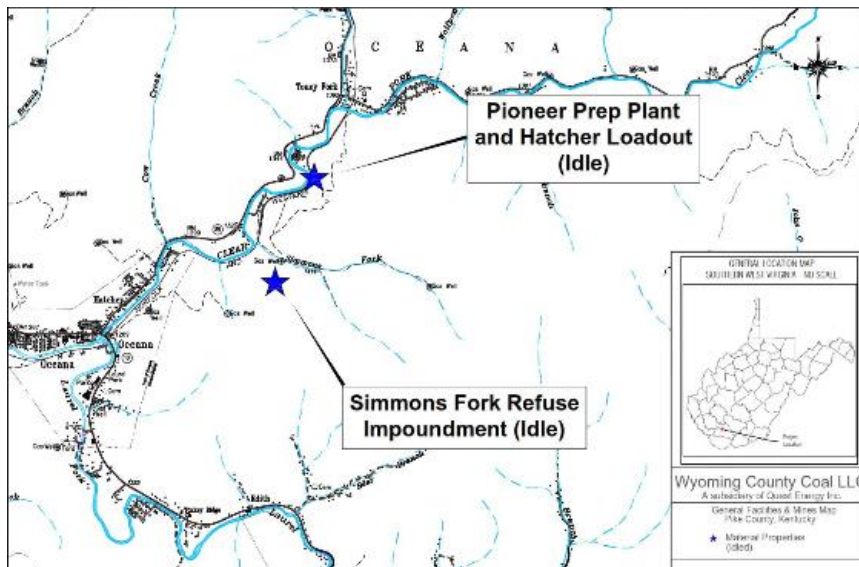
The Company is in the initial planning phase of getting estimates on the cost to upgrade the preparation facility to a modern 350 ton per hour preparation facility, although no cost estimates have yet been received. The Company is also in the initial planning phase of getting estimates on the cost and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

The Company acquired the Pioneer Preparation Plants as an idled facility, and since acquisition, no work has been performed at the facility. Both the Pioneer Preparation Plant and the rail loadout are idled and would require an undetermined amount of work and capital to bring them into operation, which is currently in the initial phases of planning and no cost estimates have been received. The allocated cost for the property at Wyoming County Coal paid by the Company is \$22,926,101.

Permits:

Wyoming County Coal holds two coal mining permits that are in the initial planning phase and three permits associated with the idled Pioneer Preparation Plant, the Hatcher rail loadout, and Simmons Fork Refuse Impoundment. Any mine that is brought into production would require significant upfront capital investment and there is no assurance of the feasibility of any such new operations.

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



Quest Processing LLC

Quest Energy's wholly-owned subsidiary, Quest Processing LLC, manages the assets, operations, and personnel of the certain coal processing and transportation facilities of Quest Energy's various other subsidiaries, namely the Supreme Energy Preparation Facility (of Knott County Coal LLC), the Raven Preparation Facility (of Knott County Coal LLC), and the Mill Creek Preparation Facility (of Deane Mining LLC). Quest Processing LLC was the recipient of a New Markets Tax Credit loan that allowed for the payment of certain expenses of these preparation facilities. As part of that financing transaction, Quest Energy loaned Quest MGMT LLC, an entity owned by members of Quest Energy, Inc.'s management, \$4,120,000 to facilitate the New Markets Tax Credit loan, of which is all outstanding as of December 31, 2017.

ERC Mining Indiana Corporation (the Gold Star Mine)

General:

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

Mine:

The Gold Star Mine, which is currently the only coal mining operation within ERC Mining Indiana Corporation (a wholly-owned subsidiary of Quest Energy Inc.). The Gold Star Mine is an underground mine located in the Indiana IV (aka Survant) coal seam, which is a low sulfur coal relative to other coal mining operations in the region. With a sulfur ranging from 1.0% to 1.5%, the coal has historically been sold to local power generating facilities that lack more advanced sulfur capture technologies, as well as to other regional coal producers to blend their sulfur lower to sell their coal at a premium.

Processing & Transportation:

Coal extracted from the Gold Star Mine is belted directly to the preparation facility on site. The coal can either be loaded to rail or transported via truck. The rail spur at Gold Star is serviced by the Indiana Rail Road Company and holds up to 116 rail cars.

The Gold Star Mine is currently idled and ARC management is pursuing potential sales orders for the coal. Any re-initiation of coal mining operations at the Gold Star Mine would require capital investment.

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

Mineral and Surface Leases

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

Production Plans

We expect to fund our projected capital expenditures primarily with our current cash and investments, cash flow from operations and the net proceeds from this offering. However, if needed, we may seek additional sources of financing, including revolving credit arrangements. The majority of our capital expenditure budget through 2018 is focused on the development of our current projects with a goal to have the projects fully developed by 2020. We are currently in production at McCoy Elkhorn Coal's Mine #15, McCoy Elkhorn Coal's Carnegie 1 Mine, Deane Mining's Access Energy mine, Deane Mining's Razorblade Surface mine, and Knott County Coal's Wayland Surface mine. We are currently rehabbing or developing new mines at our McCoy Elkhorn's Carnegie 2 Mine, McCoy Elkhorn's PointRock mine, Deane Mining's Love Branch mine, and Knott County Coal's Topper mine, and we expect to have these projects fully developed and/or producing by the first half of 2019, pending successful sales efforts and additional capital investment.

Permitting

From our various acquisitions from 2015 to 2018, we are the holder of 58 coal mining permits issued by Kentucky Department of Natural Resources and one coal mining permit issued by Indiana Department of Natural Resources. The coal mining permits we hold are primarily located in eastern Kentucky, in the counties of Pike, Knott, Letcher, Perry, Floyd, Breathitt, and Leslie.

Marketing, Sales and Customers

Coal prices differ substantially by region and are impacted by many factors including the overall economy, demand for steel, demand for electricity, location, market, quality and type of coal, mine operation costs and the cost of customer alternatives. The major factors influencing our business are the global economy, the demand for steel, and the amount of coal being consumed for electricity generation.

Our initial marketing strategy is to focus on U.S.- and internationally-based blast furnace still mills and coke plants, and other customers where our coal is in demand. Our current sales are primarily conducted through the use of intermediaries and brokers who have established relationships with our potential end-customers, although we may develop and employ an in-house marketing team in the future.

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

Historical pricing for the two primary types of coal we produce are as follows:

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

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

Development Activities

McCoy Elkhorn Coal LLC:

We are currently producing at Mine #15 and Carnegie 1 Mine at McCoy Elkhorn Coal and both of our preparation plants (Bevins 1 and Bevins 2) are operational, as is the rail loadout facility. Our PointRock surface mine is currently idled as we interview contractors for future production. We continue to develop our Carnegie 2 deep mine in the Alma coal seam and are working on other permit acquisition and/or development activities in the area of McCoy Elkhorn.

Knott County Coal LLC:

We are currently producing at our Wayland Surface mine. The coal from this mine processed and loaded to rail at the Mill Creek Preparation Plant and RapidLoader loadout of Deane Mining LLC. We continue permitting and development work on several other permits, including the Topper mine.

While Knott County Coal owns the Supreme Energy Preparation Plant and Bates Branch rail loadout, those facilities are currently idled and would require capital to rehabilitate to operational condition.

Deane Mining LLC:

We are currently producing at the Access Energy Mine, underground room and pillar operations, the Razorblade Surface mine, and our Mill Creek Preparation Plant is operational, as is the rail loadout facility. We continue to analyze additional coal mines that could be brought into production, assuming we achieve coal sales for such operations.

We currently do not have any operations at Wyoming County Coal LLC and do not anticipate having operations for the foreseeable future. While Wyoming County Coal LLC owns a preparation plan and rail loadout those facilities are currently idled and would require capital to rehabilitate to operational condition.

ERC Mining Indiana Corporation:

We have completed the rehabilitation of the Gold Star underground mine at ERC Mining Indiana Corp. and are working to obtain sales for this mine, although no time frame for production is currently anticipated. The coal will be belted directly to the on-site processing facility for coal processing and then anticipated to be loaded to rail or truck, depending on the customer's requirements. ERC Mining Indiana Corp. has a management agreement with an unrelated entity, LC Energy Operations LLC to manage an underground coal mine, clean coal processing facility and rail loadout for a monthly cash and per-ton fee. As part of that management agreement, LC Energy Operations LLC is required to provide funding for the operations at the Gold Star mine, and any cash flow from the operations of the Gold Star Mine for the foreseeable future will go to LC Energy Operations LLC to satisfy prior debt advanced to the Gold Star Mine.

Trade Names, Trademarks and Patents

We do not have any registered trademarks or trade names for our products, services or subsidiaries, and we do not believe that any trademark or trade name is material to our business. However, the names of the seams in which we have coal deposits, and attributes thereof, are widely recognized in the coal markets.

Competition

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

Suppliers

Supplies used in our business include petroleum-based fuels, explosives, tires, conveyance structure, roof support supplies, ventilation supplies, lubricants and other raw materials as well as spare parts and other consumables used in the mining process. We use third-party suppliers for a significant portion of our equipment rebuilds and repairs, drilling services and construction. We also may utilize contract miners at our various operations. We believe adequate substitute suppliers and contractors are available and we are not dependent on any one supplier or contractor. We continually seek to develop relationships with suppliers and contractors that focus on reducing our costs while improving quality and service.

Environmental and Other Regulatory Matters

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

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

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

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

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

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

Surface Mining Control and Reclamation Act

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

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

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

Abandoned Mine Lands Fund

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

Mining Permits and Approvals

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

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

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

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

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

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

Although our current bonding capacity approved by our surety, Lexon Insurance Company, is substantial and enough to cover our current and anticipated future bonding needs, this amount may increase or decrease over time. As of December 31, 2018, and September 30, 2018, we had outstanding surety bonds at all of our mining operations totaling approximately \$26.66 million, respectively. As of December 31, 2017 we had outstanding surety bonds at all of our mining operations totaling approximately \$24.80 million. While we anticipate reducing the outstanding surety bonds through continued reclamation of many of our permits, that number may increase should we acquire additional mining permits, acquire additional mining operations, expand our mining operations that result in additional reclamation bonds, or if any of our sites encounters additional environmental liability that may require additional reclamation bonding. While we intend to maintain a credit profile that eliminates the need to post collateral for our surety bonds, our surety has the right to demand additional collateral at its discretion.

Mine Safety and Health

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

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

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

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

Workers' Compensation and Black Lung

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

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

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

- *Clean Air Interstate Rule and Cross-State Air Pollution Rule*. The Clean Air Interstate Rule (“CAIR”) calls for power plants in 28 states and the District of Columbia to reduce emission levels of sulfur dioxide and nitrogen oxide pursuant to a cap-and-trade program similar to the system now in effect for acid rain. In June 2011, the EPA finalized the Cross-State Air Pollution Rule (“CSAPR”), a replacement rule to CAIR, which requires 28 states in the Midwest and eastern seaboard of the U.S. to reduce power plant emissions that cross state lines and contribute to ozone and/or fine particle pollution in other states. Following litigation over the rule, the EPA issued an interim final rule reconciling the CSAPR rule with a court order, which calls for Phase 1 implementation of CSAPR in 2015 and Phase 2 implementation in 2017. In September 2016, the EPA finalized an update to CSAPR for the 2008 ozone NAAQS by issuing the final CSAPR Update. Beginning in May 2017, this rule will reduce summertime (May–September) nitrogen oxide emissions from power plants in 22 states in the eastern United States. For states to meet their requirements under CSAPR, a number of coal-fired electric generating units will likely need to be retired, rather than retrofitted with the necessary emission control technologies, reducing demand for thermal coal. However, the practical impact of CSAPR may be limited because utilities in the U.S. have continued to take steps to comply with CAIR, which requires similar power plant emissions reductions, and because utilities are preparing to comply with the Mercury and Air Toxics Standards (“MATS”) regulations, which require overlapping power plant emissions reductions.
- *Acid Rain*. Title IV of the CAA requires reductions of sulfur dioxide emissions by electric utilities and applies to all coal-fired power plants generating greater than 25 Megawatts of power. Affected power plants have sought to reduce sulfur dioxide emissions by switching to lower sulfur fuels, installing pollution control devices, reducing electricity generating levels or purchasing or trading sulfur dioxide emission allowances. These reductions could impact our customers in the electric generation industry. These requirements are not supplanted by CSAPR.
- *NAAQS for Criterion Pollutants*. The CAA requires the EPA to set standards, referred to as NAAQS, for six common air pollutants: carbon monoxide, nitrogen dioxide, lead, ozone, particulate matter and sulfur dioxide. Areas that are not in compliance (referred to as non-attainment areas) with these standards must take steps to reduce emissions levels. The EPA has adopted more stringent NAAQS for nitrogen oxide, sulfur dioxide, particulate matter and ozone. As a result, some states will be required to amend their existing individual state implementation plans (“SIPs”) to achieve compliance with the new air quality standards. Other states will be required to develop new plans for areas that were previously in “attainment,” but do not meet the revised standards. For example, in October 2015, the EPA finalized the NAAQS for ozone pollution and reduced the limit to parts per billion (ppb) from the previous 75 ppb standard. Under the revised ozone NAAQS, significant additional emissions control expenditures may be required at coal-fired power plants. The final rules and new standards may impose additional emissions control requirements on our customers in the electric generation, steelmaking, and coke industries. Because coal mining operations emit particulate matter and sulfur dioxide, our mining operations could be affected when the new standards are implemented by the states.
- *Nitrogen Oxide SIP Call*. The nitrogen oxide SIP Call program was established by the EPA in October 1998 to reduce the transport of nitrogen oxide and ozone on prevailing winds from the Midwest and South to states in the Northeast, which alleged that they could not meet federal air quality standards because of migrating pollution. The program is designed to reduce nitrogen oxide emissions by one million tons per year in 22 eastern states and the District of Columbia. As a result of the program, many power plants have been or will be required to install additional emission control measures, such as selective catalytic reduction devices. Installation of additional emission control measures will make it costlier to operate coal-fired power plants, potentially making coal a less attractive fuel.

- *Mercury and Hazardous Air Pollutants.* In February 2012, the EPA formally adopted the MATS rule to regulate emissions of mercury and other metals, fine particulates, and acid gases such as hydrogen chloride from coal- and oil-fired power plants. Following a legal challenge to MATS, the EPA issued a new determination in April 2016 that it is appropriate and necessary to regulate these pollutants from power plants. Like CSAPR, MATS and other similar future regulations could accelerate the retirement of a significant number of coal-fired power plants. Such retirements would likely adversely impact our business.

Global Climate Change

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of GHGs. There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steelmaking is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

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

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

At the federal level, no comprehensive climate change legislation has been implemented to date. The EPA has, however, has determined that emissions of GHGs present an endangerment to public health and the environment, because emissions of GHGs are, according to the EPA, contributing to the warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs under existing provisions of the CAA. For example, in August 2015, EPA finalized the CPP to cut carbon emissions from existing power plants. The CPP creates individualized emission guidelines for states to follow, and requires each state to develop an implementation plan to meet the individual state's specific targets for reducing GHG emissions. The EPA also proposed a federal compliance plan to implement the CPP in the event that a state does not submit an approvable plan to the EPA. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the CPP. This stay suspends the rule and will remain in effect until the completion of the appeals process. The Supreme Court's stay only applies to EPA's regulations for CO₂ emissions from existing power plants and will not affect EPA's standards for new power plants. If the CPP is ultimately upheld, and depending on how it is implemented by the states, it could have an adverse impact on the demand for coal for electric generation.

At the state level, several states have already adopted measures requiring GHG emissions to be reduced within state boundaries, including cap-and-trade programs and the imposition of renewable energy portfolio standards. Various states and regions have also adopted GHG initiatives and certain governmental bodies, have imposed, or are considering the imposition of, fees or taxes based on the emission of GHGs by certain facilities. A number of states have also enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power.

The uncertainty over the outcome of litigation challenging the CPP and the extent of future regulation of GHG emissions may inhibit utilities from investing in the building of new coal-fired plants to replace older plants or investing in the upgrading of existing coal-fired plants. Any reduction in the amount of coal consumed by electric power generators as a result of actual or potential regulation of GHG emissions could decrease demand for our coal, thereby reducing our revenues and materially and adversely affecting our business and results of operations. We or prospective customers may also have to invest in CO2 capture and storage technologies in order to burn coal and comply with future GHG emission standards.

Finally, there have been attempts to encourage greater regulation of coalbed methane because methane has a greater GHG effect than CO2. Methane from coal mines can give rise to safety concerns, and may require that various measures be taken to mitigate those risks. If new laws or regulations were introduced to reduce coalbed methane emissions, those rules could adversely affect our costs of operations by requiring installation of air pollution controls, higher taxes, or costs incurred to purchase credits that permit us to continue operations.

Clean Water Act

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

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

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

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

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

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

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

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

Comprehensive Environmental Response, Compensation and Liability Act

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

Endangered Species and Bald and Golden Eagle Protection Acts

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

Use of Explosives

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

National Environmental Policy Act

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

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

Other Environmental Laws

We are required to comply with numerous other federal, state, and local environmental laws and regulations in addition to those previously discussed. These additional laws include but are not limited to the Safe Drinking Water Act, the Toxic Substances Control Act, and the Emergency Planning and Community Right-to-Know Act. Each of these laws can impact permitting or planned operations and can result in additional costs or operational delays.

Seasonality

Our primary business is not materially impacted by seasonal fluctuations. Demand for metallurgical coal, thermal coal, and the other coals we intend to produce is generally more heavily influenced by other factors such as the general economy, interest rates and commodity prices.

Employees

The Company, through its operating subsidiaries, employs a combination of company employees and contract labor to mine coal, process coal, and related functions. The Company is continually evaluating the use of company employees and contract labor to determine the optimal mix of each, given the needs of the Company. Currently, McCoy Elkhorn's Mine #15, Carnegie 1 Mine, and Deane Mining's Access Energy mine are primarily run by company employees, while Deane Mining's Razorblade Surface mine, Knott County Coals' Wayland Surface mine, and McCoy Elkhorn's PointRock mine are primarily run (or expected to be run) by contract labor, and the Company's various coal preparation facilities are run by company employees.

The Company currently has approximately 216 employees (excluding personnel hired through contractors), with a substantial majority based in eastern Kentucky. The Company is headquartered in Fishers, Indiana with six members of the Company's executive team based at this location.

Results of Operations For The Nine Month Period Ended September 30, 2018

Our consolidated operations had operating revenues of \$9,038,268 and \$23,386,684 for the three-months and nine-months ended September 30, 2018 and \$4,351,968 and \$15,334,047 operating revenue for the three-months and nine-months ended September 30, 2017.

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

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

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

For the three months ended September 30, 2018 and 2017, coal sales and processing expenses were \$6,690,698 and \$2,797,140 respectively, development costs, including loss on settlement of ARO were \$2,188,833 and \$1,065,341, respectively, and production taxes and royalties \$1,041,667 and \$865,950, respectively. Depreciation expense for the same periods ended September 30, 2018 and 2017 were \$649,983 and \$697,214 respectively.

For the nine months ended September, 2018 and 2017, coal sales and processing expenses were \$16,783,801 and \$12,307,399 respectively, development costs, including loss on settlement of ARO were \$5,908,207 and \$4,454,666, respectively, and production taxes and royalties \$2,769,584 and \$3,464,611, respectively. Depreciation expense for the same periods ended September 30, 2018 and 2017 were \$1,779,539 and \$1,856,442 respectively.

Liquidity and Capital Resources

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

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

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

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

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

Off Balance Sheet Arrangements

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

Results of Operations for the years ended December 31, 2017 and December 31, 2016.

Revenues.

Revenues for the period ended December 31, 2017 was \$20,820,998 and 2016 was \$7,601,194, respectively. The primary drivers for revenue growth was a full year of production from the Mine #15 of McCoy Elkhorn and the beginning of production at the Access Energy mine of Deane Mining in September 2017. Increase mine production was necessary to fulfill market demands and customer orders.

Expenses.

Total Operating Expenses for the period ended December 31, 2017 was \$34,839,884 and 2016 was \$29,452,263, respectively. The primary drivers for increase in operating expenses was a full year of production from the Mine #15 of McCoy Elkhorn and the beginning of production at the Access Energy mine of Deane Mining in September 2017. Production expenses, such as underground mine roof control, mining consumables and wages increased as coal mining production increased. The increased need for production expenses was caused to the increased demand for the end product due to market demands and customer orders. If demand from customers for our coal continues to increase, we anticipate these production expenses will also increase.

Total Other Expenses for the period ended December 31, 2017 was \$6,580 and 2016 was \$238,213, respectively. The primary driver for decrease in other expenses was an increase in royalty and interest income from consolidated subsidiaries.

Financial Condition.

Total Assets as of December 31, 2017 amounted to \$18,263,385 and 2016 amounted to \$20,273,829, respectively. The primary drivers for lower asset balance is current year depreciation and lower accounts receivable balance.

Total Liabilities as of December 31, 2017 amounted to \$58,356,449 and 2016 amounted to \$47,781,427, respectively. The primary drivers for the increase in liability balance is an increase in accounts payable and equipment and term debt.

Liquidity and Capital Resources.

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

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

Capital Resources.

We had no material commitments for capital expenditures as of December 31, 2017.

Off-Balance Sheet Arrangements

We have made no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

DIRECTORS AND EXECUTIVE OFFICERS

The following sets forth information regarding our directors and executive officers.

Name	Age	Positions
Mark C. Jensen	39	Chief Executive Officer, Chairman of the Board of Directors
Thomas M. Sauve	39	President, Director
Kirk P. Taylor	39	Chief Financial Officer
Tarlis R. Thompson	35	Chief Operating Officer
Randal V. Stephenson	58	Director
Ian Sadler	67	Director
Courtenay O. Taplin	69	Director

Mark C. Jensen - Chairman & Chief Executive Officer: Mark has been an operator, investor and consultant in various natural resources and energy businesses. Prior to forming Quest Energy in 2015, he has been highly involved in the navigation of numerous growth businesses to mature businesses, working as a managing member at T Squared Capital LLC since 2007, an investment firm focused on private equity styled investing in start-up businesses. Upon the merger with NGFC, Mark continued his role as Chief Executive Officer. As Chief Executive Officer, Mark's duties include setting overall Company strategy, acquisition due diligence and communicating on a periodic basis with the Board of Directors. Mark has significant experience with major Wall Street firms such as Citigroup and graduated from the Kelley School of Business at Indiana University with a BS in Finance and International Studies with a focus on Business. Mark also studied in Sydney Australia through Boston University completing his International Studies degree with a focus on East Asian culture and business. There are no arrangements or understandings between Mark and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Thomas M. Sauve - President & Director: Tom has been involved a number of energy related businesses. Prior he had been an investor and partner in various natural resources assets over the last seven years including coal mining operations and various oil and gas wells throughout Texas and the Appalachia region. Prior to forming Quest Energy in 2015, Tom worked as a managing member at T Squared Capital LLC, an investment firm focused on private equity styled investing in start-up businesses. Upon the merger with NGFC, Tom continued his role as President. As President, Tom's duties include overseeing day-to-day operations, acquisition due diligence and communicating on a periodic basis with the Board of Directors. Tom received his Bachelor's degree in Economics, magna cum laude, from the University of Rochester, New York, with additional studies at the Simon Graduate School of Business. There are no arrangements or understandings between Tom and any other persons pursuant to which he was selected as an officer. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

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

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

Randal V. Stephenson - Director: Randal serves as Director of American Resources Corporation. He was previously co-founder and CEO of a boutique FINRA-licensed broker dealer focused in the natural resources industry from 2012 to 2018 and has started and expanded several successful investment banking platforms previously at Merrill Lynch (from 2000 to 2002), Jefferies (from 2002 to 2006), CIT Group (from 2006 to 2007) and Duff & Phelps (from 2010 to 2012). Randal started and managed a mining & metals equity investment subsidiary of a global trading company, acquiring over \$1.0 billion in operating businesses and assets starting from just a corporate development plan. He has worldwide relationships with corporations, financial sponsors, entrepreneurs and governments and has closed over 200 transactions valued in excess of \$40 billion. Randal graduated with a Bachelor of Arts degree from the University of Michigan, Ann Arbor and has a Master of Business Administration degree from Harvard University in 1990 and his Juris Doctorate (with honors) from Boston College Law School in 1986. He is an attorney admitted to practice in New York, and holds the Series 7, 79, 63 and 24 securities licenses. The Board nominated Randal to serve as a director because of his leadership experience and leadership in the finance industry and assisting companies with capital raising.

Ian Sadler - Director: Ian serves as Director of American Resources Corporation. He brings decades of direct leadership and experience in the steel industry and has demonstrated expertise in successfully leading rapidly-growing companies, optimizing operational efficiencies and performance enhancements. He has experience in due diligence, joint ventures and mergers and acquisitions with a history of successfully assimilating acquired businesses into value creating enterprises. Prior to retirement, in 2002 Ian was the President and CEO of Miller Centrifugal Casting International in Cecil, PA. He has a history of leadership with the Pennsylvania Foundry Group from 2001 to 2002, Shenango LLC from 1994 to 2001, Johnstown Corporation from 1989 to 1994, Blaw-Knox Corp. from 1988 to 1989, and National Roll Company from 1984 to 1988. He received his Bachelor's Degree, with First Class Honors, and Master's Degree in Metallurgy from Cambridge University in 1972 and 1976, respectively and was a prior President of the American Institute of Mining, Metallurgical and Petroleum Engineers (AIME) and previously served as President of the Iron and Steel Society. The Board nominated Ian to serve as a director because of his executive management experience and experience with growing companies in an efficient and cost-effective manner.

Courtenay O. Taplin - Director: Courtenay serves as Director of American Resources Corporation. He brings over 40 years of experience of sourcing and supplying iron ore, coke and metallurgical coal to the steel industry to assist American Resources with their supply chain, logistics, customers, overall corporate strategy. He has a vast knowledge of both the global and domestic marketplace where he works with both suppliers and consumers. Courtenay is currently Managing Director of Compass Point Resources, LLC which he founded in 2007. His prior experience includes Crown Coal & Coke Company from 1989 to 2007 and Pickands Mather & Company out of Cleveland, OH from 1974 to 1989. Mr. Taplin attended Hobart College from 1968 to 1971 and received his degree from Case Western Reserve University in 1974. The Board nominated Courtenay to serve as a director because of his experience and relationships in the raw materials and coking sector and his experience in managing growing businesses.

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

Board of Directors

Our board of directors currently consists of five members, including our Chairman and Chief Executive Officer, our President, and three independent directors.

In evaluating director candidates, we will assess whether a candidate possesses the integrity, judgment, knowledge, experience, skills and expertise that are likely to enhance the board of directors' ability to manage and direct our affairs and business, including, when applicable, to enhance the ability of the committees of the board of directors to fulfill their duties. Our directors hold office until the earlier of their death, resignation, retirement, disqualification or removal or until their successors have been duly elected and qualified.

Director Compensation

We currently have not established standard compensation arrangements for our directors and the compensation payable to each individual for their service on our Board will be determined from time to time by our board of directors based upon the amount of time expended by each of the directors on our behalf. Currently, executive officers of our company who are also members of the board of directors do not receive any compensation specifically for their services as directors.

Director Independence

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

Committees of the Board of Directors

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

Audit Committee

As required by the rules of the SEC, the audit committee consists solely of independent directors, which is Messrs Stephenson, Sadler, and Taplin. SEC rules also require that a public company disclose whether or not its audit committee has an "audit committee financial expert" as a member. An "audit committee financial expert" is defined as a person who, based on his or her experience, possesses the attributes outlined in such rules.

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

Compensation Committee

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

Safety and Environmental Committee

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

Code of Business Conduct and Ethics

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

EXECUTIVE COMPENSATION

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

Summary Compensation Table - Officers

(a) Name and principal position	(b) Year	(c) Salary (\$)	(d) Bonus (\$)	(e) Stock Awards (\$)	(f) Option Awards (\$)	(g) Non-equity Incentive plan Compensation (\$)	(h) Nonqualified deferred compensation earnings (\$)	(i) All other Compensation (\$)	(j) Total (\$)
I. Andrew Weeraratne, (1) CEO, CFO	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	5,000	-0-	-0-	-0-	-0-	-0-	-0-	5,000
Mark C. Jensen, (2) CEO	2018	156,000	-0-	-0-	-0-	-0-	-0-	16,326	172,326
	2017	156,000	-0-	-0-	-0-	-0-	-0-	-0-	156,000
Thomas M. Sauve, (3) President	2018	156,000	-0-	-0-	-0-	-0-	-0-	16,326	172,326
	2017	156,000	-0-	-0-	-0-	-0-	-0-	-0-	156,000
Kirk P. Taylor, (4) CFO	2018	156,000	-0-	-0-	-0-	-0-	-0-	20,006	179,006
	2017	156,000	-0-	-0-	-0-	-0-	-0-	-0-	156,000
Tarlis R. Thompson, (5) COO	2018	117,055	-0-	-0-	76,624	-0-	-0-	-0-	193,679
	2017	111,280	-0-	-0-	-0-	-0-	-0-	-0-	111,280

(1) The amount of value for the services of Mr. Weeraratne was determined by agreement for shares in which he received as a founder for (1) control, (2) willingness to serve on the Board of Directors and (3) participation in the foundational days of the corporation. Mr. Weeraratne submitted his resignation to the Company on February 7, 2017 in connection with a change of control of the Company.

(2) Of the 2017 salary amount listed in this table, \$32,000 was accrued and unpaid in 2017. On January 2, 2018, the Company entered into an employment agreement with Mr. Jensen, at an annual salary rate of \$156,000. The Company also has provided for a discretionary quarterly performance bonus of up to \$.64 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. Other compensation totaling \$16,326 included \$16,326 health insurance reimbursement.

(3) Of the 2017 salary amount listed in this table, \$32,000 was accrued and unpaid in 2017. On January 2, 2018, the Company entered into an employment agreement with Mr. Sauve, at an annual salary rate of \$156,000. The Company also has provided for a discretionary quarterly performance bonus of up to \$.54 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. Other compensation totaling \$16,326 included \$16,326 health insurance reimbursement.

(4) Of the 2017 salary amount listed in this table, \$26,293 was accrued and unpaid in 2017. On January 2, 2018, the Company entered into an employment agreement with Mr. Taylor, at an annual rate of \$156,000. The Company also has provided for a discretionary quarterly performance bonus of up to \$.20 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. Other compensation totaling \$20,006 included \$18,200 health insurance reimbursement and \$4,806 of 2017 accrued salary.

(5) There is no employment agreement in place for Mr. Thompson. In 2018, Mr. Thompson was awarded 136,830 options as part of the company's 2018 stock option plan. The options to Mr. Thompson vest equally over the course of three years, and as of December 31, 2018, none of the options have vested.

(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name and principal position		Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified deferred compensation earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark C. Jensen (1)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Thomas M. Sauve (2)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Randal V. Stephenson (3)	2018	-0-	-0-	120,450	-0-	-0-	1,496	121,946
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Ian Sadler (4)	2018	-0-	-0-	120,450	-0-	-0-	-0-	120,450
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Courtenay O. Taplin (5)	2018	-0-	-0-	120,450	-0-	-0-	-0-	120,450
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
James C. New (6)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
I. Andrew Weeraratne (7)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Eugene Nichols (8)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Bo G. Engberg (9)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-
William D. Bishop (10)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	50,000	-0-	-0-	-0-	50,000

- (1) Mr. Jensen was appointed as a director on February 7, 2017. On January 2, 2018, the Company entered into an employment agreement with Mr. Jensen, at an annual salary rate of \$156,000. The Company also has provided for a discretionary quarterly performance bonus of up to \$.64 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. Mr. Jensen is not paid separately for his services as a director for the Company.
- (2) Mr. Sauve was appointed as a director on February 7, 2017. On January 2, 2018, the Company entered into an employment agreement with Mr. Sauve, at an annual salary rate of \$156,000. The Company also has provided for a discretionary quarterly performance bonus of up to \$.54 per clean ton of coal mined. The payment of such bonus shall be in the sole discretion of the Company's management and/or applicable Board of Directors. Mr. Sauve is not paid separately for his services as a director for the Company.
- (3) Mr. Stephenson was appointed as a director on November 15, 2018. In 2018, Mr. Stephenson was awarded 15,000 options for services rendered as a director. The options to Mr. Stephenson vest equally over the course of three years, and as of December 31, 2018, none of the options have vested. Other Compensation includes \$1,496 of health insurance premiums paid by the Company.
- (4) Mr. Sadler was appointed as a director on November 15, 2018. In 2018, Mr. Sadler was awarded 15,000 options for services rendered as a director. The options to Mr. Sadler vest equally over the course of three years, and as of December 31, 2018, none of the options have vested.
- (5) Mr. Taplin was appointed as a director on November 15, 2018. In 2018, Mr. Taplin was awarded 15,000 options for services rendered as a director. The options to Mr. Taplin vest equally over the course of three years, and as of December 31, 2018, none of the options have vested.
- (6) Mr. New submitted his resignation to the Company on February 7, 2017 in connection with a change of control of the Company.
- (7) Mr. Weeraratne submitted his resignation to the Company on February 7, 2017 in connection with a change of control of the Company.
- (8) Mr. Nichols submitted his resignation to the Company on February 7, 2017 in connection with a change of control of the Company.
- (9) Mr. Engberg submitted his resignation to the Company on February 7, 2017 in connection with a change of control of the Company.
- (10) Mr. Bishop was appointed as director on May 10, 2017 and as compensation to Bill Bishop for his service on the Board of Directors, the Company issued Mr. Bishop a three-year option to purchase up to 8,334 common shares of our company at an exercise price of \$3.60 per share, subject to certain price adjustments and other provisions found within the option issued to Mr. Bishop. Effective November 8, 2017, Mr. Bishop resigned as a director of the Company and Mr. Bishop's resignation from the Board of Directors did not result from any disagreement with the Company.

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

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

Employment Agreements

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

Outstanding Equity Awards

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

DESCRIPTION OF SECURITIES

General

Upon completion of this offering, the authorized capital stock of American Resources Corporation will consist of 230,000,000 shares of Class A Common Stock, \$0.0001 par value per share, of which 23,298,530 Class A Common Shares will be issued and outstanding post this offering (assuming the full underwriter's Over-Allotment of 15%), 5,000,000 shares of Series A Preferred shares, \$0.0001 par value per share, of which no Series A Preferred shares will be issued and outstanding, 20,000,000 shares of Series C Preferred shares, \$0.0001 par value per share, 50,000 of which will be issued and outstanding (see "Series C Preferred Stock" below), and 5,000,000 "blank check" preferred, of which none will be issued and outstanding.

The following summary of the capital stock and certificate of incorporation and bylaws of American Resources Corporation does not purport to be complete and is qualified in its entirety by reference to the provisions of applicable law and to our certificate of incorporation and by-laws, which are filed as exhibits to the registration statement of which this prospectus is a part.

Common Stock

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

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

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

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

Series A Preferred Stock

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series A Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 5,000,000 shares of Series A Preferred stock. The Series A Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. As of the date of this offering, no shares of Series A Preferred stock are outstanding. See "Security Ownership of Certain Beneficial Owners and Management" for more detail on the Series A Preferred stock holders.

Voting Rights. Holders of Series A Preferred shares are entitled to three hundred and thirty three and one-third (333 (1/3)) votes, on an "as-converted" basis, per each Series A Preferred share held of record on all matters to be voted upon by the stockholders.

Dividend Rights. The holders of the Series A Preferred stock are not entitled to receive dividends.

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

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

Anti-Dilution Protections. The Series A Preferred stock shall have full anti-dilution protection until March 1, 2020, such that, when the sum of the shares of the common stock plus the Series A Convertible stock that are held by the Series A Preferred stock holders as of the date of the Articles of Amendment are summed (the sum of which is defined as the "Series A Holdings", and the group defined as the "Series A Holders"), the Series A Holdings held by the Series A Holders shall be convertible into, and/or equal to, no less than Seventy-Two Percent (72.0%) of the fully-diluted common stock outstanding of the company (inclusive of all outstanding "in-the-money" options and warrants). Any amount that is less than Seventy-Two Percent (72.0%) shall be adjusted to Seventy-Two Percent (72.0%) through the immediate issuance of additional common stock to the Series A Holders to cure the deficiency, which shall be issued proportionally to each respective Series A Holder's share in the Series A Holdings at the time of the adjustment. This anti-dilution protection shall include the effect of any security, note, common stock equivalents, or any other derivative instruments or liability issued or outstanding during the anti-dilution period that could potential cause dilution during the anti-dilution period or in the future.

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

Series C Preferred Stock

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series C Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 20,000,000 shares of Series C Preferred stock. The Series C Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. As of the date of this prospectus, 50,000 shares of Series C Preferred stock have been issued or are outstanding. See "Security Ownership of Certain Beneficial Owners and Management" for more detail on the Series C Preferred stock holders.

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

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

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

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

"Blank Check" Preferred Stock

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

Outstanding Options or Warrants

Pursuant to our previously-completed Series B Preferred stock offering, investors in the Series B Preferred stock received options (also referred to as "warrants") to purchase additional common shares at exercise prices stated within such option. The options have an expiration date of two or three years post the date of the investment in the Series B Preferred stock by the investor.

On October 24, 2018, one of the holders of the options issued pursuant to the Series B Preferred stock financing exercised 69,445 of his options through a cashless exercise and received 69,420 Class A Common shares as a result. Should all the remaining Series B Preferred stock option holders fully exercise their right to purchase shares, for cash, the Company will receive \$1,700,006 proceeds from such exercises and will increase the common shares outstanding by 236,112 shares.

On June 27, 2017 we entered into a settlement agreement with Oscaleta Partners LLC, a company we engaged on February 20, 2017 to perform consulting services to AREC, and as part of that settlement, we issued to Oscaleta Partners LLC the amount of 13,333 restricted shares of the company's common stock, and a three-year warrant to purchase up to 33,333 common shares of stock of the company at an exercise price of \$3.60 per share. Should Oscaleta Partners LLC exercise all of its shares under the warrant, the company will receive \$119,999 cash proceeds.

On May 10, 2017, as compensation to Bill Bishop for his service on the Board of Directors of the company, we issued Mr. Bishop a three-year option to purchase up to 8,334 common shares of our company at an exercise price of \$3.60 per share, subject to certain price adjustments and other provisions found within the option issued to Mr. Bishop. Should Mr. Bishop be elected as a board member of the company for additional term(s), the option contains a cashless exercise provision that will allow Mr. Bishop to exercise his option without any cash consideration to the company, as described within the option. Should Mr. Bishop exercise the option through a cash payment to the company, the Company will receive up to \$30,002 from Mr. Bishop and he will receive up to 8,334 restricted common shares of the Company. There are no registration rights associated with this warrant that require the Company to register the shares.

On October 4, 2017, we entered into a financing transaction with Golden Properties Ltd., a British Columbia company based in Vancouver, Canada ("Golden Properties") that involved a series of loans made by Golden Properties to the Company. As part of that financing, we issued to Golden Properties the following warrants:

- Warrant B-4, for the purchase of 3,417,006 shares of common stock at \$0.01 per share, as adjusted from time to time, expiring on October 2, 2020, and providing the Company with up to \$34,170 in cash proceeds should all the warrants be exercised;
- Warrant C-1, for the purchase of 400,000 shares of common stock at \$3.55 per share, as adjusted from time to time, expiring on October 2, 2019, and providing the Company with up to \$1,420,000 in cash proceeds should all the warrants be exercised;
- Warrant C-2, for the purchase of 400,000 shares of common stock at \$7.09 per share, as adjusted from time to time, expiring on October 2, 2019, and providing the Company with up to \$2,836,000 in cash proceeds should all the warrants be exercised;
- Warrant C-3, for the purchase of 400,000 shares of common stock at \$8.58 per share, as adjusted from time to time, expiring October 2, 2020, and providing the Company with up to \$3,432,000 in cash proceeds should all the warrants be exercised; and
- Warrant C-4, for the purchase of 400,000 shares of common stock at \$11.44 per share, as adjusted from time to time, expiring October 2, 2020, and providing the Company with up to \$4,576,000 in cash proceeds should all the warrants be exercised.

None of the warrants resulting from the agreement with Golden Properties have been exercised as of the date of this prospectus.

On September 12, 2018, pursuant to the Company's Employee Incentive Stock Option Plan, we issued a total of 636,830 options to certain employees. The options have an expiration date of September 10, 2025 and have an exercise price of \$1.00 per share. Of the total options issued, 25,000 vested immediately, with the balance of 611,830 options vesting equally over the course of three years, subject to restrictions regarding the employee's continued employment by the Company.

On September 14, 2018, we entered into a consulting agreement with Redstone Communications, LLC, an Indiana limited liability company based in Carmel, Indiana, to provide for public relations with existing shareholders, broker dealers, and other investment professionals. As compensation under that agreement, for the first six months we issued to Redstone Communications a five-year option to purchase up to 175,000 common shares of our Company at an exercise price of \$1.00 per share and issued to Mr. Marlin Molinaro a five-year option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.00 per share. Should Redstone Communications, LLC and Mr. Molinaro exercise the options received under the first six months of engagement, the Company will receive up to \$175,000 and \$75,000, respectively. On January 25, 2019, Redstone Communications and the Company agreed to renew the consulting agreement, and as a result, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro, and to Redstone Communications another five-year option to purchase up to 175,000 common shares of our Company at an exercise price of \$1.50 per share and issued to Mr. Marlin Molinaro another five-year option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.50 per share. Should Redstone Communications, LLC and Mr. Molinaro receive and exercise the options received under the second six months of engagement, the Company will receive up to \$262,500 and \$112,500, respectively.

On November 15, 2018, as compensation to Randal V. Stephenson, Ian Sadler, and Courtenay O. Taplin for their service on the Board of Directors of the Company, we issued to each of them a three-year warrant to purchase up to 15,000 common shares of our company at an exercise price of \$6.00 per share, subject to certain price adjustments and other provisions found within the respective warrants. Should each of the three directors exercise the option through a cash payment to the Company, the Company will receive up to \$90,000 from each director, and each director will receive up to 15,000 restricted common shares of the Company. There are no registration rights associated with this warrant that require the Company to register the shares.

On December 3, 2018, pursuant to a consulting agreement with a non-related entity, we issued a two-year option to purchase up to 417 common shares of our company at an exercise price of \$6.00 per share. The option can be exercised via a cashless exercise by the holder at any time during its term.

Please see "Underwriting" for a description of warrants to be issued to the representative of the underwriters.

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

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Vstock Transfer, LLC located at 18 Lafayette Place Woodmere, NY 11598, phone number 212-828-8436.

Listing

Currently we are trading on the OTC Pink markets under the symbol "AREC". We have applied to list on the NASDAQ Capital Market under the symbol "AREC".

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

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

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

(2) Based on 21,492,281 shares of Common Stock deemed to be outstanding as if one or more warrants were exercised up to the maximum amount of 9.99% (or 2,122,878 shares) of the issued and outstanding number of shares at December 31, 2018, including the common shares issuable from the conversion of the Series A Preferred to common and the conversion of the Series C Preferred to common. This percentage has been rounded for convenience;

(3) Golden Properties, Ltd. is the owner of several Company common stock warrants for the purchase of shares of our Common Stock, which warrants are exercisable at such company's discretion, subject to the following limitation on amount. The warrant agreements provide that at no time may Golden Properties, Ltd. or its affiliates exercise any warrant that would result in their ownership of more than 9.99% of the issued and outstanding shares of our Common Stock on the date of exercise. Additionally, as of December 31, 2018 Alexander Lau, who is a principal of Golden Properties and a beneficial owner through Golden Properties, is a holder of 5,913 Series A Preferred shares and 177,400 Class A Common shares. Accordingly, Golden Properties, Ltd. is presently deemed the beneficial owner of 2,122,878 shares of our Common Stock pursuant to Securities and Exchange Commission Rule 13d-3, promulgated under the Securities Exchange Act of 1934. The full number of shares that Golden Properties' beneficially owns (including all shares underlying all the warrants owned by Golden Properties and excluding those Series A Preferred shares owned by Alexander Lau stated above) is 5,017,006 shares.

Name	Number of Shares of Series A Preferred Stock Beneficially Owned (4)	Percent of Series A Preferred Stock Owned (5)	Common Stock Beneficially Owned (6)	Percent of Common Stock Beneficially Owned (7)
Officers and Directors				
Mark C. Jensen, (8) Chief Executive Officer, Director	158,045	32.80%	5,316,994	27.45%
Thomas M. Sauve, (9) President, Director	136,014	28.23%	4,336,010	22.99%
Kirk P. Taylor, Chief Financial Officer	48,612	10.09%	1,620,383	8.37%
Tarlis R. Thompson, Chief Operating Officer	4,895	1.02%	163,170	0.84%
All Directors and Officers as a Group (4 persons)	347,566	69.09%	11,552,851	59.65%
5% Holders				
Gregory Q. Jensen	48,612	10.09%	1,620,383	8.37%
Adam B. Jensen	48,612	10.09%	1,620,383	8.37%
All Directors, Officers and 5% Holders as a Group (5 persons)	444,790	89.27%	14,793,617	84.57%

(4) A person is deemed to be the beneficial owner of securities that can be acquired by such a person within 60 days from December 31, 2018, upon exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such a person (but not those held by any other person) and are exercisable within 60 days from that date have been exercised;

(5) Based on 481,780 shares of Series A Convertible Preferred Stock outstanding as of December 31, 2018. These percentages have been rounded for convenience;

(6) Assuming the Series A Preferred Stock is converted to Class A Common Stock and including the Class A Common Stock owned by each respective person;

(7) Based on 17,763,469 Class A Common Stock outstanding as of December 31, 2018. These percentages have been rounded for convenience;

(8) Mr. Jensen beneficially owns 5,934 shares of our Series A Convertible Preferred Stock and 178,017 Class A Common Stock through his equity ownership in T Squared Partners, LP, which shares are included in the table above;

(9) Mr. Sauve beneficially owns 3,876 shares of our Series A Convertible Preferred Stock and 116,294 Class A Common Stock through his equity ownership in T Squared Partners, LP, which shares are included in the table above;

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, DIRECTOR INDEPENDENCE

Transactions with Related Persons, Promoters and Certain Control Persons

On June 12, 2015, the Company executed a consulting agreement with an entity with common ownership. During 2017 and 2016, the Company incurred fees totaling \$0 and \$12,340,615 relating to services rendered under this agreement. The amount outstanding and payable as of December 31, 2017 and 2016, was \$17,840,615 and \$17,840,615, respectively. The amount is due on demand and does not accrue interest. On May 25, 2018, the related party agreed to terminate and extinguish the entire \$17,840,615 payable.

On January 1, 2016, the Company awarded stock options for 827,862 shares in exchange for consulting efforts to an entity with common ownership. No stock options were awarded to related parties during 2017.

During 2015, equipment purchasing was paid by an affiliate resulting in a note payable. The balance of the note was \$74,000 as of December 31, 2017 and 2016, respectively.

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

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

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

Director Independence.

We are not listed on a national securities exchange; however, we have elected to use the definition of independence under the Nasdaq listing requirements in determining the independence of our directors and nominees for director. In 2018, our Board undertook a review of director independence, which included a review of each director and director nominee's responses to questionnaires inquiring about any relationships with us. This review was designed to identify and evaluate any transactions or relationships between a director, or director nominee or any member of his or her immediate family and us, or members of our senior management or other members of our Board, and all relevant facts and circumstances regarding any such transactions or relationships. Based on its review, our Board determined that Messrs. Stephenson, Sadler, and Taplin are independent. Messrs. Jensen and Sauve are not independent under Nasdaq's independence standards, its audit committee independence standards or compensation committee independence standards.

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

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representative, Maxim Group LLC, located at 405 Lexington Avenue, New York, NY 10174, referred to herein as Maxim, have severally agreed to purchase from us on a firm commitment basis the following respective number of shares of Class A common stock at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriter	Number of Shares
Maxim Group LLC	[]
Total	[]

The underwriting agreement provides that the obligations of the underwriters to purchase all of the shares being offered to the public is subject to specific conditions, including the absence of any material adverse change in our business or in the financial markets and the receipt of certain legal opinions, certificates and letters from us, our counsel and the independent auditors. Subject to the terms of the underwriting agreement, the underwriters will purchase all of the shares of Class A common stock being offered to the public, other than those covered by the over-allotment option described below, if any of these shares are purchased.

Over-Allotment Option

The Company has granted to the underwriters an option, exercisable not later than 45 days after the effective date of the registration statement, to purchase up to 150,000 additional shares of Class A common stock (equivalent to 15% of the total number of shares of Class A common stock sold in this offering) at the public offering price less the underwriting discounts and commissions set forth on the cover of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the shares in this offering. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional shares of Class A common stock as the number of shares to be purchased by it in the above table bears to the total number of shares offered by this prospectus. We will be obligated, pursuant to the option, to sell these additional shares of Class A common stock to the underwriters to the extent the option is exercised. If any additional shares are purchased, the underwriters will offer the additional shares on the same terms as those on which the other shares are being offered hereunder.

Discounts, Commissions and Expenses

The underwriting discounts and commissions are 7.0% of the public offering price. The Company has agreed to pay the underwriters the discounts and commissions set forth below, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option. We have been advised by Maxim that the underwriters propose to offer the shares of Class A common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of \$0.28 per share under the public offering price of \$4.00 per share. The underwriters may allow, and these dealers may re-allow, a concession of not more than \$0.28 per share to other dealers. After the public offering, the representative of the underwriters may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions and proceeds, before expenses, to us assuming both no exercise and full exercise by the underwriters of their 15% over-allotment option:

	Per Share ⁽¹⁾	Total	
		Without Option	With Option
Public offering price	\$ []	\$ []	\$ []
Underwriting discounts and commissions (7%)	\$ []	\$ []	\$ []
Proceeds, before expenses, to us	\$ []	\$ []	\$ []

(1) The fees do not include the Representative's Warrants or expense reimbursement as described below.

In addition, we have agreed to reimburse Maxim for up to \$125,000 of out-of-pocket expenses it incurs in connection with this offering, including, but not limited to, filing offering materials with the Financial Industry Regulatory Authority, or FINRA, background checks, "road show" expenses, costs of book-building, prospectus tracking and compliance software and the fees and disbursements of its counsel. We have paid \$5,000 to Maxim as an advance to be applied towards reasonable out-of-pocket expenses (the "Advance"). Any portion of the Advance shall be returned back to us to the extent not actually incurred.

We estimate the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately \$205,000.

Representative Warrants

We have also agreed to issue to Maxim (or its permitted assignees) the warrants to purchase a number of our shares of Class A common stock equal to an aggregate of 7% of the total number of shares sold in this offering ("Representative's Warrants"). The Representative's Warrants will have an exercise price equal to 110% of the offering price of the shares sold in this offering and may be exercised on a cashless basis. The Representative's Warrants are exercisable commencing 180 days after the effective date of the registration statement related to this offering, and will be exercisable for three years after the effective date. The Representative's Warrants are not redeemable by us. The Representative's Warrants also provide for unlimited "piggyback" registration rights at our expense with respect to the underlying shares during the three year period commencing from the effective date of the registration statement related to this offering. The Representative's Warrants and the shares underlying the Representative's Warrants, have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(g)(1) of FINRA. The underwriters (or permitted assignees under the Rule) may not sell, transfer, assign, pledge or hypothecate the Representative's Warrants or the securities underlying the Representative's Warrants, nor will they engage in any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the Representative's Warrants or the underlying securities for a period of 12 months from the effective date of this offering, except to any FINRA member participating in the offering and their bona fide officers or partners. The Representative's Warrants will provide for adjustment in the number and price of such Representative's Warrants (and the shares underlying such Representative's Warrants) in the event of recapitalization, merger or other structural transaction to prevent mechanical dilution or in the event of a future financing undertaken by us.

Right of First Refusal

We have agreed to grant Maxim for the twelve (12) month period following the effective date of the registration statement, a right of first refusal to act as lead managing underwriter and book runner or minimally as a co-lead manager and co-book runner and/or lead placement agent with at least 80.0% of the economics for any and all future public or private equity, equity-linked or debt (excluding commercial bank debt) offerings during such twelve (12) month period of the Company, or any successor to or any subsidiary of the Company.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act and liabilities arising from breaches of representations and warranties contained in the underwriting agreement, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-up Agreements

We and certain of our directors, executive officers and shareholders have agreed that, for a period of 180 days after the date of this prospectus, subject to certain limited exceptions, not to directly or indirectly, without the prior written consent of the representative of the underwriters, (1) offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, encumber, assign, borrow or otherwise dispose of or transfer any shares of Class A common stock, warrant to purchase such shares or any other security of the company or any other entity that is convertible into, or exercisable or exchangeable for, such shares or any other equity security of the company owned beneficially or otherwise as of the date of this prospectus, which we refer to as relevant securities, or otherwise publicly disclose the intention to do so, (2) establish or increase any "put equivalent position" or liquidate or decrease any "call equivalent position" (in each case within the meaning of Section 16 of the Exchange Act) with respect to any relevant security or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequence of ownership of relevant securities, whether or not such transaction is to be settled by the delivery of relevant securities, other securities, cash or other consideration, or otherwise publicly disclose the intention to do so, (3) file or participate in the filing with the SEC of any registration statement or circulate or participate in the circulation of any preliminary or final prospectus or other disclosure document, in each case with respect to any proposed offering or sale of relevant securities or (4) exercise any rights to require registration with the SEC of any proposed offering or sale of relevant securities.

Price Stabilization, Short Positions and Penalty Bids

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares of Class A common stock in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. Maxim may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of shares of Class A common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, Maxim will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares of Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit Maxim to reclaim a selling concession from a syndicate member when the shares originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our shares of Class A common stock or preventing or retarding a decline in the market price of our securities. As a result, the price of our shares may be higher than the price that might otherwise exist in the open market.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our shares of Class A common stock. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that any transaction, if commenced, will not be discontinued without notice.

Electronic Distribution

This prospectus in electronic format may be made available on websites or through other online services maintained by Maxim or by its affiliates. Other than this prospectus in electronic format, the information on Maxim's website and any information contained in any other websites maintained by it is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or Maxim in its capacity as an underwriter, and should not be relied upon by investors.

Other Terms

Until twelve (12) months from the effective date of this registration statement, the representative shall have an irrevocable right of first refusal to act as lead managing underwriter and book-runner (or minimally as a co-lead manager and co-book runner and/or co-lead placement agent with at least 80% of the economics), at the representative's sole discretion, for each and every future public and private equity and debt offerings (other than commercial bank debt) for the Company, or any successor to or any subsidiary of the Company, including all equity linked financings, on terms customary to the representative. The representative shall have the sole right to determine whether or not any other broker-dealer shall have the right to participate in any such offering and the economic terms of any such participation. The representative will not have more than one opportunity to waive or terminate the right of first refusal in consideration of any payment or fee.

Offers Outside the United States

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

DETERMINATION OF OFFERING PRICE

Before this offering, there has been a very limited public trading market for our shares of Class A Common Stock, and we cannot give any assurance to you that an active secondary market might develop or will be sustained after this offering. The price of the shares of Common Stock we are offering, and the price at which those shares can be sold in the future to potential buyers, has been determined solely by us, after consultation with our underwriter and advisors, and, as such, may be arbitrary in that the price does not necessarily bear any relationship to our assets, earnings, book value or other criteria of value, and may not be indicative of the price that may prevail in the public market, or such share price may be the result of a private negotiation between us and the buyer of the shares and may differ substantially from any prior share price or the market price of our shares. No third-party valuation or appraisal has ever been prepared for our business. Among the factors we considered in setting a price were, without one factor being materially more important than the others):

- our limited operating history, as well as the other numerous obstacles we face in operating and expanding our business, as described in the "Risk Factors" section of this prospectus;
- our current company capitalization and our internal future expectations of our operations and financial performance; and
- our cash requirements to run our business over the next 12 to 60 months.
- the information included in this prospectus and otherwise available to the representative;

- the valuation multiples of publicly traded companies that the representative believes to be comparable to us;
- our financial information;
- our ability to negotiate the sale price of our shares with potential buyers of our shares;
- our prospects and our history, and the prospects of the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues; and
- the above factors in relation to market values and various evolution measures of other companies engaged in activities similar to ours.

INTERESTS OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

Our financial statements as of December 31, 2017 and 2016, included in this prospectus have been audited by MaloneBailey, LLP of Houston, Texas, independent registered public accounting firm, as indicated in their report with respect thereto, and have been so included in reliance upon the report of such firm given on their authority as experts in accounting and auditing. Our audited financial statements as of December 31, 2017 and 2016, included in this prospectus have been prepared by the management of the Company.

The validity of the securities offered by this prospectus will be passed upon for us by Law Office of Clifford J. Hunt, P.A. The law firm's principal, Clifford J. Hunt, Esquire, is the beneficial owner of 1,721 shares of our common stock. Certain legal matters will be passed upon for the underwriters by Loeb & Loeb LLP.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including the exhibits, schedules and amendments thereto) under the Securities Act, with respect to the shares of our common stock offered hereby.

This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to the common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are summaries of the material terms of such contract, agreement or other document and are not necessarily complete. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street NE, Washington, D.C. 20549. Copies of these materials may be obtained, upon payment of a duplicating fee, from the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC's website is www.sec.gov.

As a result of this offering, we will become subject to full information requirements of the Exchange Act. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing financial statements certified by an independent registered public accounting firm.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our directors and officers are indemnified as provided by Florida law and our bylaws. We have agreed to indemnify each of our directors and certain officers against certain liabilities, including liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the provisions described above, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We have been advised that in the opinion of the SEC indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

Limitation on Liability

The Florida Business Corporation Act permits, but does not require, corporations to indemnify a director, officer or control person of the corporation for any liability asserted against such person and liability and expenses incurred by that person in their capacity as a director, officer, employee or agent, or arising out of their status as such, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, unless the articles of incorporation provide otherwise, whether or not the corporation has provided for indemnification in its articles of incorporation. Our articles of incorporation have no separate provision for indemnification of directors, officers, or control persons.

Insofar as the limitation of, or indemnification for, liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to directors, officers, or persons controlling us pursuant to the foregoing, or otherwise, we have been advised that, in the opinion of the SEC, such limitation or indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable.

INDEX TO FINANCIAL STATEMENTS
For the Period Ended September 30, 2018

	Page
Consolidated Balance Sheets as of September 30, 2018 (unaudited) and December 31, 2017	F-2
Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 (unaudited)	F-3
Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited)	F-4
Notes to Unaudited Consolidated Financial Statements for the nine months ended September 30, 2018	F-5

December 31, 2017 and 2016 and for the Years Ended December 31, 2017 and 2016

	Page
Report of Independent Registered Public Accounting Firm	F-13
Consolidated Balance Sheets at December 31, 2017 and 2016	F-14
Consolidated Statements of Operations for the years ended December 31, 2017 and 2016	F-15
Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2017 and 2016	F-16
Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016	F-17
Notes to Consolidated Financial Statements	F-18

AMERICAN RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
UNAUDITED

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 57,739	\$ 186,722
Accounts Receivable	2,801,040	1,870,562
Inventory	426,725	615,096
Prepaid fees	147,826	-
Accounts Receivable - Other	102,994	30,021
Total Current Assets	3,536,324	2,702,401
OTHER ASSETS		
Cash - restricted	286,043	198,943
Processing and rail facility	2,802,855	2,914,422
Underground equipment	9,346,692	8,887,045
Surface equipment	4,532,724	3,957,603
Mining rights (net of amortization of \$181,385 and \$0)	2,036,567	-
Less Accumulated Depreciation	(6,600,108)	(4,820,569)
Land	-	178,683
Accounts Receivable - Other	-	127,718
Note Receivable	4,117,139	4,117,139
Total Other Assets	16,521,912	15,560,984
TOTAL ASSETS	\$ 20,058,236	\$ 18,263,385
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 6,813,924	\$ 5,360,537
Accrued management fee	-	17,840,615
Accrued interest	624,209	336,570
Accrued dividend on Series B	104,157	-
Funds held for others	63,767	82,828
Due to affiliate	636,378	124,000
Current portion of long term-debt (net of issuance costs and debt discount of \$387,442 and \$35,000)	14,625,099	9,645,154
Current portion of reclamation liability	2,275,848	2,033,862
Total Current Liabilities	25,143,382	35,423,566
OTHER LIABILITIES		
Long-term portion of note payable (net of issuance costs of \$420,293 and \$440,333)	5,072,493	5,081,688
Reclamation liability	20,289,527	17,851,195
Total Other Liabilities	25,362,020	22,932,883
Total Liabilities	50,505,402	58,356,449
STOCKHOLDERS' DEFICIT		
AREC - Class A Common stock: \$.0001 par value; 230,000,000 shares authorized, 1,192,044 and 892,044 shares issued and outstanding for the period end	118	89
AREC - Series A Preferred stock: \$.0001 par value; 5,000,000 shares authorized, 4,817,792 shares issued and outstanding	482	482
AREC - Series B Preferred stock: \$.001 par value; 20,000,000 shares authorized, 850,000 shares issued and outstanding	850	850
AREC- Series C Preferred stock: \$.0001 par value; 20,000,000 shares authorized, 0 shares issued and outstanding	-	-
Additional paid-in capital	19,816,567	1,527,254
Accumulated deficit	(50,265,183)	(42,019,595)
Total American Resources Corporation's Shareholders' Deficit	(30,447,166)	(40,490,920)
Non controlling interest	-	397,856
Total Stockholders' Deficit	(30,447,166)	(40,093,064)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 20,058,236	\$ 18,263,385
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The accompanying footnotes are integral to the unaudited consolidated financial statements

AMERICAN RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

For the Three and Nine Months Ended September 30, 2018 and 2017

	3-Month September 30, 2018	3-Month September 30, 2017	9-Month September 30, 2018	9-Month September 30, 2017
Coal Sales	\$ 8,890,322	\$ 4,192,244	\$ 23,219,222	\$ 13,770,183
Processing Services Income	<u>147,946</u>	<u>159,724</u>	<u>167,462</u>	<u>1,563,864</u>
Total Revenue	9,038,268	4,351,968	23,386,684	15,334,047
Cost of Coal Sales and Processing	(6,690,698)	(2,797,140)	(16,783,801)	(12,307,399)
Accretion Expense	(539,771)	(339,288)	(1,435,295)	(1,181,055)
Loss on settlement	-	(30,055)	-	(281,907)
Depreciation	(649,983)	(697,214)	(1,779,539)	(1,856,442)
Amortization of mining rights	(181,385)	-	(181,385)	-
General and Administrative	(1,142,522)	(26,940)	(2,175,794)	(189,604)
Professional Fees	(784,922)	(144,712)	(1,222,937)	(565,995)
Production Taxes and Royalties	(1,041,667)	(865,950)	(2,769,584)	(3,464,611)
Development Costs	<u>(2,188,833)</u>	<u>(1,035,286)</u>	<u>(5,908,207)</u>	<u>(4,172,759)</u>
Total Expenses from Operations	<u>(13,219,781)</u>	<u>(5,936,585)</u>	<u>(32,256,542)</u>	<u>(24,019,772)</u>
Net Loss from Operations	(4,181,513)	(1,584,617)	(8,869,858)	(8,685,725)
Other Income	875,942	67,844	1,295,065	309,418
Gain on cancelation of debt	-	-	315,000	-
Receipt of previously impaired receivable	-	117,657	92,573	241,574
Interest Income	-	-	41,171	-
Interest expense	<u>(305,655)</u>	<u>(342,683)</u>	<u>(864,104)</u>	<u>(567,970)</u>
Net Loss	(3,611,226)	(1,741,799)	(7,990,153)	(8,702,703)
Less: Series B dividend requirement	(17,000)	-	(104,157)	-
Less: Net income attributable to Non Controlling Interest	<u>-</u>	<u>(67,844)</u>	<u>(151,278)</u>	<u>(309,418)</u>
Net loss attributable to American Resources Corporation Shareholders	<u>\$ (3,628,226)</u>	<u>\$ (1,809,643)</u>	<u>\$ (8,245,588)</u>	<u>\$ (9,012,121)</u>
Net loss per share - basic and diluted	\$ (2.49)	\$ (2.03)	\$ (8.76)	\$ (11.87)
Weighted average shares outstanding	1,038,783	891,180	941,495	759,397

The accompanying footnotes are integral to the unaudited consolidated financial statements

AMERICAN RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

For the 9 Months Ended September 30, 2018 and
For the 9 Months Ended September 30, 2017

	September 30, 2018	September 30, 2017
Cash Flows from Operating activities:		
Net loss	\$ (7,990,153)	\$ (8,702,703)
Adjustments to reconcile net income (loss) to net cash		
Depreciation	1,779,539	1,856,442
Amortization of mining rights	181,385	-
Accretion expense	1,435,295	1,181,055
Cancellation of debt	(315,000)	-
Loss on reclamation settlements	-	281,907
Assumption of note payable in reverse merger	-	50,000
Gain on disposition	(807,591)	-
Recovery of previously impaired receipts	(92,573)	(241,574)
Amortization of debt discount	420,134	284,406
Warrant expense	234,067	-
Option expense	13,410	-
Stock compensation expense	201,250	10,000
Change in current assets and liabilities:		
Accounts receivable	(930,478)	2,123,881
Inventory	188,371	-
Prepaid expenses and other assets	(147,826)	-
Accounts payable	973,057	2,824,351
Funds held for others	(19,061)	-
Due to affiliates	512,378	-
Accrued interest	287,639	90,000
Reclamation liability settlements	-	(709,132)
Cash used in operating activities	<u>(4,076,157)</u>	<u>(951,367)</u>
Cash Flows from Investing activities:		
Advances made in connection with management agreement	(99,582)	(75,000)
Advance repayment in connection with management agreement	222,304	469,645
Cash paid for PPE, net	(127,957)	(176,597)
Cash (used in) provided by investing activities	<u>(5,235)</u>	<u>218,048</u>
Cash Flows from Financing activities:		
Principal payments on long term debt	(2,064,902)	(318,576)
Proceeds from long term debt	5,316,977	1,670,000
Proceeds from related party	-	50,000
Net proceeds from (payments to) factoring agreement	787,434	(1,521,577)
Proceeds from sale of Series B Preferred Stock	-	600,000
Cash provided by financing activities	<u>4,039,509</u>	<u>479,847</u>
Decrease in cash and restricted cash	(41,883)	(253,472)
Cash and restricted cash, beginning of period	<u>385,665</u>	<u>784,525</u>
Cash and restricted cash, end of period	<u><u>\$ 343,782</u></u>	<u><u>\$ 531,053</u></u>

Supplemental Information

Non-cash investing and financing activities		
Assumption of net assets and liabilities for asset acquisitions	\$ 2,217,952	\$ -
Equipment for notes payable	\$ 906,660	\$ 1,222,500
Purchase of related party note receivable in exchange for Series B Equity	\$ -	\$ 250,000
Preferred Series B dividends	\$ 104,157	\$ -
Conversion of note payable to common stock	\$ -	\$ 50,000
Beneficial conversion feature on note payable	\$ -	\$ 50,000

Forgiveness of accrued management fee	\$ 17,840,615	\$ -
Relative fair value debt discount on warrant issue	\$ -	\$ 300,000
Cash paid for interest	\$ 156,331	\$ 193,564
Cash paid for income taxes	\$ -	\$ -

The accompanying footnotes are integral to the unaudited consolidated financial statements

AMERICAN RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation and Consolidation:

The consolidated financial statements include the accounts for the nine months ended September 30, 2018 and 2017 of the Company and its wholly owned subsidiaries Quest Energy Inc (QEI), Deane Mining, LLC (Deane), Quest Processing LLC (Quest Processing), ERC Mining Indiana Corp (ERC), McCoy Elkhorn Coal LLC (McCoy) and Knott County Coal LLC (KCC). All significant intercompany accounts and transactions have been eliminated.

As of July 1, 2018, the accounts of Land Resources & Royalties, LLC have been deconsolidated from the financial statements based upon the ongoing review of its status as a variable interest entity.

On August 23, 2018, KCC disposed of certain non-operating assets totaling \$111,567 and the corresponding asset retirement obligation totaling \$919,158 which resulted in a gain of \$807,591.

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

Interim Financial Information

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

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

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

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

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

Restricted cash: As part of the Kentucky New Markets Development Program an asset management fee reserve was set up in the amount of \$116,115. The funds are held to pay annual asset management fees to an unrelated party through 2021. The balance as of September 30, 2018 and December 31, 2017 was \$73,730 and \$116,115, respectively. A lender of the Company also required a reserve account to be established. The balance as of September 30, 2018 and December 31, 2017 was \$148,546 and \$0, respectively. The total balance of restricted cash also includes amounts held under the management agreement in the amount of \$63,767 and \$82,828, respectively. See note 5 for terms of the management agreement.

The balance as of September 30, 2018 and December 31, 2017 was \$286,043 and \$198,943, respectively.

The following table sets forth a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheet that agrees to the total of those amounts as presented in the consolidated statement of cash flows for the nine months ended September 30, 2018 and September 30, 2017.

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

Asset Acquisitions:

On April 21, 2018, McCoy acquired certain assets known as the Point Rock Mine (Point Rock) in exchange for assuming certain liabilities of the seller. The fair values of the liabilities assumed were \$53,771 for prior vendors and \$2,098,052 for asset retirement obligation totaling \$2,151,823. The liabilities assumed do not require fair value readjustments. In addition, McCoy entered into a surface and mineral sub-lease in the amount of up to \$4,000,000 to be paid only upon coal extraction at \$2 per extracted ton of coal. McCoy will also pay a portion of the sales price as a royalty with an annual minimum payment of \$60,000 starting in January 2019. The acquired assets have an anticipated life of 5 years. Capitalized mining rights will be amortized based on productive activities over the anticipated life of 5 years. Amortization expense for the 3 months ended September 30, 2018 and 2017 amounted to \$179,318 and \$0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value.

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

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

On May 10, 2018, KCC acquired certain assets known as the Wayland Surface Mine (Wayland) in exchange for assuming certain liabilities of the seller. The fair values of the liabilities assumed were \$66,129 for asset retirement obligation. The liabilities assumed do not require fair value readjustments. In addition, KCC entered into a royalty agreement with the seller to be paid only upon coal extraction in the amount of \$1.50 per extracted ton of coal. The acquired assets have an anticipated life of 7 years. Capitalized mining rights will be amortized based on productive activities over the anticipated life of 7 years. Amortization expense for the 3 months ended September 30, 2018 and 2017 amounted to \$2,067 and \$0, respectively. The assets will be measured for impairment when an event occurs that questions the realization of the recorded value.

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

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

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

Obligations are reflected at the present value of their future cash flows. We reflect accretion of the obligations for the period from the date they incurred through the date they are extinguished. The asset retirement obligation assets are amortized using the units-of-production method over estimated recoverable (proved and probable) reserves. We are using a discount rate of 10%. Federal and State laws require that mines be reclaimed in accordance with specific standards and approved reclamation plans, as outlined in mining permits. Activities include reclamation of pit and support acreage at surface mines, sealing portals at underground mines, and reclamation of refuse areas and slurry ponds.

We assess our ARO at least annually and reflect revisions for permit changes, change in our estimated reclamation costs and changes in the estimated timing of such costs. During the periods ending September 30, 2018 and 2017, \$0 and \$281,907 were incurred for loss on settlement on ARO, respectively.

The table below reflects the changes to our ARO:

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

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

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

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

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

New Accounting Pronouncements:

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

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

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

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

NOTE 2 - PROPERTY AND EQUIPMENT

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

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

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

The estimated useful lives are as follows:

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

NOTE 3 - NOTES PAYABLE

The net increase in debt includes the following:

Total debt balance as of December 31, 2017	\$ 14,726,842
During the nine-month period ended September 30, 2018, \$2,450,000 was drawn from the ARC business loan which carries annual interest at 7%, is due within two months of advancement and is secure by all company assets. On June 4, 2018, \$30,000 and September 28, 2018, \$75,000 of this note was repaid.	2,450,000
On January 25, 2018, QEI entered into an equipment loan agreement with an unrelated party in the amount of \$346,660. The agreement calls for monthly payments of \$11,360 until maturity date of December 24, 2020 and carries an interest rate of 9%. The loan is secured by the underlying surface equipment purchased by the loan. Loan proceeds were used directly to purchase equipment.	346,660
On March 28, 2018, QEI entered into an equipment loan agreement with an unrelated party in the amount of \$135,000. The agreement called for payments of \$75,000 and \$60,000 are due on April 6, 2018 and April 13, 2018, respectively, at which date the note was repaid in full. Loan proceeds were used directly to purchase equipment.	135,000
On May 9, 2018, QEI entered into a loan agreement with an unrelated party in the amount of \$1,000,000 with a maturity date of September 24, 2018 with monthly payments of \$250,000 due beginning June 15, 2018. The note is secured by the assets and equity of the company and carries an interest rate of 0%. Proceeds of the note were split between receipt of \$575,000 cash and \$425,000 payment for new equipment. No payments have been made on the note which is in default.	1,000,000
During May 2018, the company entered into a financing arrangement with two unrelated parties. The notes totaled \$2,859,500, carried an original issue discount of \$752,535, interest rate of 33% and have a maturity date of January 2019 and are secured by future receivables as well as personal guarantees of two officers of the company.	2,963,958
During the nine-month period ended September 30, 2018 net additions to the factoring agreement totaled \$787,435.	787,435
Total increases to debt	7,683,053
Less cash payments	(2,064,902)
In May 2018, an unrelated party forgave \$315,000 of the \$540,000 equipment loan agreement dated September 30, 2016.	(315,000)
Issuance discount	(752,535)
Amortization of issuance cost and loan discounts	420,134
Ending debt balance at September 30, 2018	\$ 19,697,592
Less current portion:	\$ 14,625,099
Total long term debt at September 30, 2018	\$ 5,072,493

NOTE 4 - RELATED PARTY TRANSACTIONS

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

The amount outstanding and payable as of September 30, 2018 and December 31, 2017, was \$0 and \$17,840,615, respectively. The amount was due on demand and did not accrue interest. The amounts under the agreement were cancelled and forgiven on May 31, 2018. The forgiveness was accounted for as an increase in additional paid in capital.

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

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

NOTE 5 – MANAGEMENT AGREEMENT

On April 13, 2015, ERC entered into a mining and management agreement with an unrelated entity, to operate a coal mining and processing facility in Jasonville, Indiana. Under the management agreement, net funds advanced for the nine-month period ended September 30, 2018 and 2017 are \$99,582 and \$75,000, respectively and the amounts repaid totaled \$127,957 and \$394,645, respectively. During the nine-month period ended September 30, 2018 and 2017, fees paid under the agreement amounted \$313,114 and \$0, respectively which has been recorded in other income.

NOTE 6 – EQUITY TRANSACTIONS

On July 18, 2018, we issued 150,000 common shares valued at \$165,000 to Sylva International LLC for an agreement to provide digital marketing services to the Company. The agreement was subsequently terminated by the Company for breach of contract. The Company fully recognized \$165,000 of stock based compensation for the nine months September 30, 2018.

On September 12, 2018, pursuant to the Company's Employee Incentive Stock Option Plan, we issued a total of 636,830 options to certain employees. The options have an expiration date of September 10, 2025 and have an exercise price of \$1.00 per share. Of the total options issued, 25,000 vested immediately, with the balance of 611,830 options vesting equally over the course of three years, subject to restrictions regarding the employee's continued employment by the Company. The fair value of the options is \$482,751. The Company recognized \$13,410 as option expense for the nine months September 30, 2018. The unamortized expense at September 30, 2018 is \$469,342.

On September 14, 2018, we issued 105,000 common shares valued at \$152,250 and 175,000 warrants to Redstone Communications LLC and 45,000 common shares valued at \$65,250 and 75,000 warrants to Mr. Marlin Molinaro as compensation for the first six months of an agreement to provide for public relations with existing shareholders, broker dealers, and other investment professionals for the Company. The warrants fair value was determined to be \$234,067. The warrants granted are non-refundable and vest immediately and have an expiration date of September 14, 2023. Stock based compensation of \$36,205 for the common shares issued and \$234,067 for the warrant granted was expensed during the nine months September 30, 2018. As of September 30, 2018, the unamortized expense for the common shares issued is \$181,250.

The Company has Series A Preferred stock outstanding, which has the following key provisions: par value of \$0.0001, voting rights of 33(1/3) votes of Class A Common stock for each Series A Preferred stock, conversion to Class A Common stock at a rate 3(1/3) Class A Common stock, liquidation rights at \$1.65 per share, and anti-dilution protection through March 21, 2020 for conversion into Class A Common Stock at no less than 72.0% of the fully-diluted Class A Common stock outstanding. The Company evaluated the embedded conversion option under ASC 815. The conversion option was deemed clearly and closely related to its equity host instrument and as such was not bifurcated.

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

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

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

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

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding - December 31, 2017	5,364,230	\$ 2.638	2.835	\$ 138,069
Exercisable - December 31, 2017	5,364,230	\$ 2.638	2.835	\$ 138,069
Granted	886,830	\$ 1.000	6.388	\$ 5,386,975
Forfeited or Expired	-	-	-	-
Exercised	-	\$ -	-	-
Outstanding - September 30, 2018	6,251,060	\$ 2.432	2.474	\$ 31,556,641
Exercisable - September 30, 2018	5,639,230	\$ 2.590	1.982	\$ 27,836,687

NOTE 7 - CONTINGENCIES

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

Should the Company decide to renew the consulting agreement with Redstone Communication, LLC, as compensation for the following six months of engagement, we will issue to Redstone Communications another five-year option to purchase up to 175,000 common shares of our Company at an exercise price of \$1.50 per share, another 105,000 common shares, and a cash payment of \$10,000 per month for the second six-month term (with the first two months payable in advance upon renewal of the second term). Furthermore, we will issue to Mr. Marlin Molinaro another five-year option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.50 per share and another 45,000 common shares. Should Redstone Communications, LLC and Mr. Molinaro receive and exercise the options received under the second six months of engagement, the Company will receive up to \$262,500 and \$112,500, respectively.

NOTE 8 - SUBSEQUENT EVENTS

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

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

On November 7, 2018, Wyoming County Coal LLC, acquired 5 permits, coal processing and loading facilities, surface ownership, mineral ownership, and coal refuse storage facilities from unrelated entities. Consideration for the acquired assets was the assumption of reclamation bonds totaling \$234,240, 1,727,273 shares of common stock of the company priced at \$12.79 per share of common stock, a seller note of \$350,000 and a seller note of \$250,000. Management is still gathering the information needed to complete the allocation of the purchase price to the assets acquired and liabilities assumed.

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

On November 5, 2018, 4,336,012 Series A preferred shares were converted into 14,453,373 common shares of the company in a cashless conversion under the terms of the agreement.

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

On November 7, 2018, \$36,000 worth of trade payables were settled with 6,000 common shares of the company.

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

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

On November 14, \$225,000 of debt to an unrelated entity, was converted into 37,500 shares of Class A Common stock.

On November 15, three independent directors were appointed. As compensation for their services, each of the directors were issued a three-year warrant to purchase up to 15,000 common shares of our company at an exercise price of \$6.00 per share, subject to certain price adjustments and other provisions found within the respective warrants. Should each of the three directors exercise the option through a cash payment to the Company, the Company will receive up to \$90,000 from each director, and each director will receive up to 15,000 restricted common shares of the Company. There are no registration rights associated with this warrant that require the Company to register the shares.

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

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

On December 24, 2018, the ARC business loan was amended to reflect the proper state of incorporation for the Company.

On December 31, 2018, the Company entered into a loan agreement with an unrelated party. The loan is for an amount up to \$6,500,000 of which \$3,000,000 was advanced on December 31, 2018 and \$2,000,000 was advanced on February 1, 2019. The promissory agreement carries interest at 5% annual interest rate and payments of principal and interest shall be repaid at a per-ton rate of coal sold to the lender. The outstanding amount of the note has a maturity of April 1, 2020. The note is secured by the assets of the Company.

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

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

On January 25, 2019, the Company extended its consulting agreement with Redstone Communications, LLC for an additional six-month term, and as a result, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro, another five-year option to purchase up to 175,000 common shares of our Company at an exercise price of \$1.50 per share and issued to Mr. Marlin Molinaro another five-year option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.50 per share as compensation for the second six months of an agreement. Should Redstone Communications, LLC and Mr. Molinaro receive and exercise the options received under the second six months of engagement, the Company will receive up to \$262,500 and \$112,500, respectively. These common shares have not been physically issued.

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

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

On January 30, 2019, the Company entered into an Investor Relations Agreement with American Capital Ventures, Inc. ("American Capital") whereby American Capital will provide, among other services, assistance to the Company in planning, reviewing and creating corporate communications, press releases, and presentations and consulting and liaison services to the Company relating to the conception and implementation of its corporate and business development plan. The term of the agreement is six months and American Capital was immediately issued 9,000 shares of Class A Common stock as compensation under the agreement.

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

On February 4, 2019, the ARC business loan was amended to allow conversion of outstanding amounts to Class A Common shares at a price per share of \$5.25.

On February 12, 2019, McCoy signed a contract with an unrelated party for the acquisition of stock and membership interests of entities with non-operating assets consisting of surface and mineral ownership and other related agreements. The transaction is expected to close simultaneous with this offering. Consideration is expected to be in the form of 2,000,000 Class A common shares, priced at \$12.79 per share of common stock, as well as \$500,000 cash and a promissory note totaling \$2,000,000 with a maturity of less than 1 year. The note is secured by a land contract on the acquired property.

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

On February 4 through February 8, 2019, the Company issued a total of 17,800 shares of Class A Common Stock to sixteen unrelated parties for the total

consideration of \$89,000 cash to the Company.

On February 10, 2019, \$3,000 worth of trade payables were settled with 500 common shares of the company.

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

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors of
American Resources Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Resources Corporation and its subsidiaries (collectively, the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

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

Basis for Opinion

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

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

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

/s/ MaloneBailey, LLP

www.malonebailey.com

We have served as the Company's auditor since 2017

Houston, Texas

April 20, 2018

AMERICAN RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 186,722	\$ 784,525
Accounts Receivable	1,870,562	2,753,199
Inventory	615,096	-
Intercompany	-	-
Accounts Receivable - Other	30,021	199,701
Total Current Assets	<u>2,702,401</u>	<u>3,737,425</u>
OTHER ASSETS		
Cash - restricted	198,943	141,102
Processing and rail facility	2,914,422	2,914,422
Underground equipment	8,887,045	7,500,512
Surface equipment	3,957,603	3,751,054
Less Accumulated Depreciation	(4,820,569)	(2,262,855)
Land	178,683	178,683
Accounts Receivable - Other	127,718	196,347
Note Receivable	4,117,139	4,117,139
Total Other Assets	<u>15,560,984</u>	<u>16,536,404</u>
TOTAL ASSETS	<u><u>\$ 18,263,385</u></u>	<u><u>\$ 20,273,829</u></u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 5,360,537	\$ 2,196,060
Accrued management fee	17,840,615	17,840,615
Accrued interest	336,570	122,945
Funds held for others	82,828	24,987
Due to affiliate	124,000	74,000
Current portion of long term-debt (net of unamortized discount of \$35,000 and \$0)	9,645,154	4,431,006
Current portion of reclamation liability	2,033,862	519,489
Total Current Liabilities	<u>35,423,566</u>	<u>25,209,102</u>
OTHER LIABILITIES		
Long-term portion of note payable (net of issuance costs \$440,333 and \$451,389)	5,081,688	4,964,941
Reclamation liability	17,851,195	17,607,384
Total Other Liabilities	<u>22,932,883</u>	<u>22,572,325</u>
Total Liabilities	<u>58,356,449</u>	<u>47,781,427</u>
STOCKHOLDERS' DEFICIT		
AREC - Class A Common stock: \$.0001 par value; 230,000,000 shares authorized, 892,044 and 0 shares issued and outstanding for the period end	89	-
AREC - Series A Preferred stock: \$.0001 par value; 4,817,792 shares authorized, 4,817,792 shares issued and outstanding	482	482
AREC - Series B Preferred stock: \$.001 par value; 20,000,000 shares authorized, 850,000 shares issued and outstanding	850	-
Additional paid-in capital	1,527,254	88,193
Accumulated deficit	(42,019,595)	(27,651,030)
Total American Resources Corporation Shareholders' Equity	<u>(40,490,920)</u>	<u>(27,562,355)</u>
Non controlling interest	397,856	54,757
Total Stockholders' Deficit	<u>(40,093,064)</u>	<u>(27,507,598)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u><u>\$ 18,263,385</u></u>	<u><u>\$ 20,273,829</u></u>

The accompanying footnotes are integral to the consolidated financial statements

AMERICAN RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,	
	2017	2016
Coal Sales	\$ 19,231,249	\$ 5,345,145
Processing Services Income	1,589,749	2,256,049
Total Revenue	20,820,998	7,601,194
Cost of Coal Sales and Processing	(16,344,567)	(8,961,653)
Accretion Expense	(1,791,051)	(1,664,774)
Loss on reclamation settlement	-	(71,245)
Depreciation	(2,557,714)	(2,262,855)
General and Administrative	(1,378,111)	(237,601)
Professional Fees	(694,366)	(391,659)
Consulting Fees - Related Party	-	(12,340,615)
Production Taxes and Royalties	(4,974,013)	(1,250,365)
Impairment Loss from notes receivable from related party	(250,000)	(510,902)
Development Costs	(6,850,062)	(1,760,594)
Total Expenses from Operations	(34,839,884)	(29,452,263)
Net Loss from Operations	(14,018,886)	(21,851,069)
Other Income	343,100	54,757
Amortization of debt discount and debt issuance costs	(477,056)	(9,406)
Interest Income	298,721	-
Receipt of previously impaired receivables	387,427	-
Interest	(558,772)	(283,564)
Net Loss	(14,025,466)	(22,089,282)
Less: Preferred dividend requirement	(53,157)	-
Less: Net income attributable to Non Controlling Interest	(343,099)	(54,757)
Net loss attributable to American Resources Corporation Shareholders	\$ (14,421,722)	\$ (22,144,039)
Net loss per share - basic and diluted	\$ (18.20)	\$ -
Weighted average shares outstanding	792,391	-

The accompanying footnotes are integral to the consolidated financial statements

AMERICAN RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS OF EQUITY

	Common Shares	Common Stock	Preferred A Shares	Preferred A Stock	Preferred B Shares	Preferred B Stock	Additional Paid-In Capital	Retained Earnings	Non- Controlling Interest	Total
Balance January 1, 2016	-	\$ -	2,550,430	\$ -	-	-	\$ -	\$ (5,506,991)	\$ -	\$ (5,506,991)
Stock-based compensation	-	-	2,267,362	482	-	-	88,193	-	-	88,675
New issuances	-	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(22,144,039)	54,757	(22,089,282)
Balance December 31, 2016	-	\$ -	4,817,792	\$ 482	-	-	\$ 88,193	\$ (27,651,030)	\$ 54,757	\$ (27,507,598)
	Common Shares	Common Stock	Preferred A Shares	Preferred A Stock	Preferred B Shares	Preferred B Stock	Additional Paid-In Capital	Retained Earnings	Non- Controlling Interest	Total
Balance January 1, 2017	-	\$ -	4,817,792	\$ 482	-	-	88,193	(27,651,030)	54,757	(27,507,598)
Recapitalization	845,377	85	-	-	-	-	(85)	-	-	-
Sale of Preferred Series B Stock	-	-	-	-	850,000	850	849,150	-	-	850,000
Conversion of Debt	33,334	3	-	-	-	-	49,997	-	-	50,000
Beneficial conversion feature	-	-	-	-	-	-	50,000	-	-	50,000
Issuance of shares to consultant	13,333	1	-	-	-	-	9,999	-	-	10,000
Stock-based compensation	-	-	-	-	-	-	40,000	-	-	40,000
Relative fair value debt discount on warrants issued	-	-	-	-	-	-	440,000	-	-	440,000
Net loss	-	-	-	-	-	-	-	(14,358,565)	343,099	(14,025,466)
Balance December 31, 2017	892,044	\$ 89	4,817,792	\$ 482	850,000	\$ 850	1,527,254	(42,019,595)	397,856	(40,093,064)

The accompanying footnotes are integral to the consolidated financial statements

AMERICAN RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2017	2016
Cash Flows from Operating activities:		
Net loss	\$ (14,025,466)	\$ (22,089,282)
Adjustments to reconcile net income (loss) to net cash		
Depreciation	2,557,714	2,262,855
Accretion expense	1,791,051	1,664,774
Loss on reclamation settlements	-	71,245
Assumption of note payable in reverse merger	50,000	-
Amortization of debt discount and debt issuance costs	477,056	9,406
Impairment (recovery) of advances receivable	(387,427)	510,902
Impairment of related party note receivable	250,000	-
Stock compensation expense	50,000	88,675
Change in current assets and liabilities:		
Accounts receivable	882,637	(2,753,199)
Prepaid expenses and other assets	-	920
Inventory	(615,096)	-
Restricted cash used to pay interest expense	14,981	13,984
Accounts payable	3,096,351	2,196,060
Accrued expenses	-	12,340,615
Accrued interest	213,625	122,945
Reclamation liability settlements	-	(256,892)
Cash used in operating activities	<u>(5,644,574)</u>	<u>(5,816,992)</u>
Cash Flows from Investing activities:		
Note receivable	-	(4,117,139)
Increase in restricted cash	(57,841)	(116,115)
Restricted cash used to pay down debt	65,604	54,421
Advances made in connection with management agreement	(77,800)	(1,845,902)
Advance repayment in connection with management agreement	625,227	1,175,000
Cash paid for PPE, net	(173,432)	(34,200)
Cash received from acquisitions, net of \$0 and \$100 cash paid	-	5,315,700
Cash provided by investing activities	<u>381,758</u>	<u>431,765</u>
Cash Flows from Financing activities:		
Principal payments on long term debt	(392,002)	(303,706)
Proceeds from long term debt (net of issuance costs \$0 and \$460,795)	4,440,000	4,857,391
Proceeds from related party	50,000	-
Net (payments) proceeds from factoring agreement	(32,985)	1,616,067
Proceeds from private placements	600,000	-
Cash provided by financing activities	<u>4,665,013</u>	<u>6,169,752</u>
Increase(decrease) in cash	(597,803)	784,525
Cash, beginning of year	<u>784,525</u>	<u>-</u>
Cash, end of year	<u>\$ 186,722</u>	<u>\$ 784,525</u>
Supplemental Information		
Assumption of net assets and liabilities for asset acquisitions	\$ -	\$ 2,745,582
Equipment for notes payable	\$ 1,419,650	\$ 904,425
Purchase of related party note receivable in exchange for Series B Equity	\$ 250,000	\$ -
Affiliate note for equipment	\$ -	\$ 63,000
Conversion of note payable to common stock	\$ 50,000	\$ -
Beneficial conversion feature on note payable	\$ 50,000	\$ -
Relative fair value debt discount on warrant issue	\$ 440,000	\$ -
Cash paid for interest	\$ 345,147	\$ 160,619

The accompanying footnotes are integral to the consolidated financial statements

AMERICAN RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation and Consolidation:

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

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

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

The Company is the primary beneficiary of ERC Mining, LLC, which qualifies as a variable interest entity. Accordingly, the assets, liabilities, revenue and expenses of ERC Mining, LLC have been included in the accompanying consolidated financial statements. The Company has no ownership in ERC Mining, LLC. Determination of the Company as the primary beneficiary is based on the power through its management functions to direct the activities that most significantly impact the economic performance of ERC Mining, LLC. On March 18, 2016, the company lent ERC Mining, LLC \$4,117,139 to facilitate the transaction described in Note 6, which represent amounts that could be significant to ERC. No further support has been provided. The Company has ongoing involvement in the management of ERC Mining, LLC to ensure their fulfillment of the transaction described in Note 6.

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

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

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

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

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

KCC was formed in September 2004 for the purpose of operating underground coal mines and coal processing facilities. KCC was acquired on April 14, 2016 and as such no operations are presented prior to the acquisition date.

On February 17, 2016, McCoy Elkhorn Coal LLC (McCoy) acquired certain assets in exchange for \$100 and for assuming certain liabilities of Fortress Resources, LLC. The fair values of the asset retirement obligation liabilities assumed were determined to be \$3,561,848 respectively. The liabilities assumed do not require fair value readjustments.

The assets acquired of McCoy do not represent a business as defined in FASB AS 805-10-20. McCoy does not have an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return or other economic benefit to their investors, members or participants. Accordingly, the assets acquired are initially recognized at the consideration paid, which was the liabilities assumed, including direct acquisition costs, of which there were none. The cost is allocated to the group of assets acquired based on their relative fair value. The assets acquired and liabilities assumed of McCoy were as follows at the purchase date:

Assets	
Cash	\$ 2,935,800
Underground Mining Equipment	531,249
Surface Mining Equipment	36,218
Coal Preparation and Loading Facilities	58,681
Liabilities	
Asset Retirement Obligation	\$ 3,561,848

On April 14, 2016, the Company acquired 100% of the membership interests of ICG Knott County, LLC, subsequently renamed Knott County Coal LLC. The fair values of the asset retirement obligation liabilities assumed were determined to be \$4,499,434 respectively. The liabilities assumed do not require fair value readjustments.

The assets acquired of ICG Knott County do not represent a business as defined in FASB AS 805-10-20. ICG Knott County does not have an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return or other economic benefit to their investors, members or participants. Accordingly, the assets acquired and liabilities assumed are initially recognized at the consideration paid, including direct acquisition costs. The cost is allocated to the group of assets acquired and liabilities assumed based on their relative fair value. The assets and liabilities assumed of ICG Knott County were as follows on the purchase date:

Assets	
Cash	\$ 2,380,000
Underground Mining Equipment	1,533,937
Surface Mining Equipment	206,578
Land	178,683
Coal Preparation and Loading Facilities	200,236
Liabilities	
Asset Retirement Obligation	\$ 4,499,434

As a result of the KCC and McCoy acquisitions during 2016, \$8,061,282 of ARO was assumed for net cash of \$5,315,700 and property, equipment and land of \$2,745,582.

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

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

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

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

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

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

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

As of December 31, 2017 and 2016 total cash, including restricted cash, amounted to \$385,665 and \$925,627, respectively. Restricted cash as of December 31, 2017 and 2016 amounted to \$198,943 and \$141,102, respectively.

Restrictions to cash include funds held for the benefit other parties in the amount of \$82,828 and \$24,987 as of December 31, 2017 and 2016, respectively. The use of these funds are in conjunction with the management of the property owned by this party and the duration of the restrictions matches the duration of the management agreement. (See Note 7)

As part of the Kentucky New Markets Development Program (See Note 3) an asset management fee reserve was set up in the amount of \$116,115. The funds are held to pay annual asset management fees to an unrelated party through 2021. (See Note 6)

Concentration: As of December 31, 2017 and 2016 63% and 78% of revenue and 99% and 97% of outstanding accounts receivable came from three and two customers, respectively.

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

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

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

Mine Development: Costs of developing new coal mines, including asset retirement obligation assets, or significantly expanding the capacity of existing mines, are capitalized and amortized using the units-of-production method over estimated coal deposits. Costs not incurred for development of existing coal deposits are expensed as incurred.

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

Obligations are reflected at the present value of their future cash flows. We reflect accretion of the obligations for the period from the date they incurred through the date they are extinguished. The asset retirement obligation assets are amortized using the units-of-production method over estimated coal deposits. We are using a discount rate of 10%, risk free rate of .23% and inflation rate of 1.5%. Federal and State laws require that mines be reclaimed in accordance with specific standards and approved reclamation plans, as outlined in mining permits. Activities include reclamation of pit and support acreage at surface mines, sealing portals at underground mines, and reclamation of refuse areas and slurry ponds.

We assess our ARO at least annually and reflect revisions for permit changes, change in our estimated reclamation costs and changes in the estimated timing of such costs. During 2017 and 2016, \$0 and \$71,245 were incurred for loss on settlement on ARO.

The table below reflects the changes to our ARO:

	2017	2016
Beginning Balance	\$ 18,126,873	\$ 8,586,464
Accretion	1,791,051	1,664,774
Reclamation work	(32,867)	(185,647)
McCoy Acquisition	-	3,561,848
KCC Acquisition	-	4,499,434
Ending balance	\$ 19,885,057	\$ 18,126,873
Current portion of reclamation liability	\$ 2,033,862	\$ 519,489
Long-term portion of reclamation liability	\$ 17,851,195	\$ 17,607,384

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

The Company filed an initial tax return in 2015. Management believes that the Company's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change. Therefore, no reserve for uncertain income tax positions has been recorded. The Company's policy for recording interest and penalties, if any, associated with income tax examinations will be to record such items as a component of income taxes.

Revenue Recognition: The Company recognizes revenue in accordance with ASC 605 when the terms of the contract have been satisfied; generally, this occurs when delivery has been rendered, the fee is fixed or determinable, and collectability is reasonably assured. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services.

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

We recognize revenue from coal sales at the time risk of loss passes to the customer at contracted amounts and amounts are deemed collectible. Revenue from coal processing and loading are recognized when services have been performed according to the contract in place.

Leases: Leases are reviewed by management based on the provisions of ASC 840 and examined to see if they are required to be categorized as an operating lease, a capital lease or a financing transaction.

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

Loan Issuance Costs and Discounts are amortized using the effective interest method. Amortization expense amounted to \$477,056 and \$9,406 as of December 31, 2017 and 2016, respectively. Amortization expense for the next five years is expected to be \$11,520, annually.

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

Allowance for trade receivables as of December 31, 2017 and 2016 amounted to \$0 and \$0, respectively. Allowance for other accounts receivables as of December 31, 2017 and 2016 amounted to \$92,573 and \$640,000, respectively.

Trade and loan receivables are carried at amortized cost, net of allowance for losses. Amortized cost approximated book value as of December 31, 2017 and 2016.

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

Stock-based Compensation: Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable vesting period of the stock award (generally 0 to 5 years) using the straight-line method. Stock compensation to employees is accounted for under ASC 718 and stock compensation to non-employees is accounted for under ASC 505.

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

For the years ended December 31, 2017 and 2016, the Company had 5,364,230 and 0 outstanding stock warrants, respectively. For the years ended December 31, 2017 and 2016, the Company did not have any restrictive stock awards, restricted stock units, or performance-based awards.

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

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

- Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, effective for years beginning after December 15, 2017
- ASU 2015-11, *Simplifying the Measurement of Inventory*, effective for years beginning after December 15, 2016. Adoption of ASU 2015-11 did not have a material effect on the consolidated financial statements.
- ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, effective for years beginning after December 15, 2016. Adoption of ASU 2015-17 did not have a material effect on the consolidated financial statements or related disclosures.
- ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, effective for years beginning after December 15, 2017
- ASU 2016-02, *Leases*, effective for years beginning after December 15, 2019. We expect to adopt ASU 2016-02 beginning January 1, 2019 and are in the process of assessing the impact that this new guidance is expected to have on our consolidated financial statements and related disclosures.
- ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, effective beginning after December 15, 2017
- ASU 2017-01, *Business Combinations*, effective beginning after December 15, 2017
- AUS 2017-09, *Compensation – Stock Compensation*, effective beginning after December 31, 2017
- ASU 2017-11, *Earnings Per Share*, effective beginning after December 15, 2018
- ASU 2018-05, *Income Taxes*, effective beginning after December 15, 2017. We expect to adopt ASU 2018-05 beginning January 1, 2018 and are in the process of assessing the impact that this new guidance is expected to have on our consolidated financial statements and related disclosures.

Management has elected to early adopt ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* effective at inception. See above in Note 1.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605 and requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. We adopted Topic 606 as of January 1, 2018 using the modified retrospective method of adoption. Implementation of Topic 606 caused no change in previously recognized revenue.

NOTE 2 – PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, property and equipment were comprised of the following:

	2017	2016
Processing and rail facility	\$ 2,914,422	\$ 2,914,422
Underground equipment	8,887,045	7,500,512
Surface equipment	3,957,603	3,751,054
Land	178,683	178,683
Less: Accumulated depreciation	(4,820,569)	(2,262,855)
Total Property and Equipment, Net	\$ 11,117,184	\$ 12,081,816

Depreciation expense amounted to \$2,557,714 and \$2,262,855 for the years of December 31, 2017 and 2016, respectively.

The estimated useful lives are as follows:

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

NOTE 3 – NOTES PAYABLE

During the year ended December 31, 2017 and 2016, principal payments on long term debt totaled \$392,002 and \$303,706, respectively. During the year ended December 31, 2017 and 2016, new debt issuances totaled \$5,909,650 and \$5,824,816, respectively, primarily from \$4,490,000 of working capital loans and \$1,419,650 of equipment loans in 2017 and \$4,688,152 from the Kentucky New Markets Development program and \$967,425 in equipment loans in 2016. (See Note 5). During the year ended December 31, 2017 and 2016, net proceeds from our factoring agreement totaled \$32,985 and \$1,616,067, respectively.

During the year ended December 31, 2017 and 2016, discounts on debt issued amounted to \$490,000 and \$-, respectively related to the ARC business loan discussed below and the note payable discussed in note 9. During 2017 and 2016, \$455,000 and \$- was amortized into expense with \$35,000 and \$- remaining as unamortized discount.

Long-term debt consisted of the following at December 31, 2017 and 2016:

	2017	2016
Equipment Loans - QEI		
Note payable to an unrelated company in monthly installments of \$2,064, with interest at 8.75%, through maturity in March 2019, when the note is due in full. The note is secured by equipment and a personal guarantee by an officer of the Company.	\$ 30,962	\$ 50,235
Note payable to an unrelated company in monthly installments of \$1,468, With interest at 6.95%, through maturity in March 2021, when the note is due in full. The note is secured by equipment and a personal guarantee by an officer of the Company	57,290	64,175
On September 8, 2017, Quest entered into an equipment purchase agreement with an unaffiliated entity, to purchase certain underground mining equipment for \$600,000. The agreement provided for \$80,000 paid upon execution, \$30,000 monthly payments until the balance is paid in full.	460,000	-
On October 19, 2017, Quest entered into an equipment financing agreement with an unaffiliated entity, to purchase certain surface equipment for \$90,400. The agreement calls for monthly payments until maturity of October 19, 2019 and interest of 9.95%.	88,297	-
On October 20, 2017, Quest entered into an equipment financing agreement with an unaffiliated entity, to purchase certain surface equipment for \$50,250. The agreement calls for monthly payments until maturity of October 20, 2019 and interest of 10.60%.	51,320	-
On December 4, 2017, Quest entered into an equipment financing agreement with an unaffiliated entity, to purchase certain surface equipment for \$56,900. The agreement calls for monthly payments until maturity of January 7, 2021.	56,900	-
Business Loan - ARC		
On October 4, 2017, ARC entered into a consolidated loan agreement with an unaffiliated entity. \$5,444,632 has been advanced under the note. \$1,300,000 of the note was advanced after December 31, 2017. The agreement calls for interest of 7% and with all outstanding amounts due on demand. The note is secured by all assets of Quest and subsidiaries. In conjunction with the loan, a warrants for up to 5,017,006 common shares were issued at an exercise price ranging from \$.01 to \$11.44 per share and with an expiration date of October 2, 2020. The loan consolidation was treated as a loan modification for accounting purposes giving rise to a discount of \$140,000. The discount was amortized over the life of the loan with \$105,000 included as interest expense and \$35,000 included as a note discount as of December 31, 2017.	4,444,632	175,000
Equipment Loans – ERC		
Equipment lease payable to an unrelated company in 48 equal payments of \$771 with an interest rate of 5.25% with a balloon payment at maturity of June 30, 2019. The note is secured by equipment and a corporate guarantee from Quest Energy Inc. The equipment is being utilized as part of the management agreement referred to in Note 7. Therefore, the title of the assets are not held with ERC and there is a corresponding receivable due for the payment of this note.	27,288	35,644
Equipment lease payable to an unrelated company in 48 equal payments of \$3,304 with an interest rate of 5.25% with a balloon payment at maturity of June 30, 2019. The note is secured by equipment and a corporate guarantee from Quest Energy Inc. The equipment is being utilized as part of the management agreement referred to in Note 7. Therefore, the title of the assets are not held with ERC and there is a corresponding receivable due for the payment of this note.	128,254	161,738
Equipment lease payable to an unrelated company in 48 equal payments of \$2,031 with an interest rate of 5.25% with a balloon payment at maturity of August 13, 2019. The note is secured by equipment and a corporate guarantee from Quest Energy Inc. The equipment is being utilized as part of the management agreement referred to in Note 7. Therefore, the title of the assets are not held with ERC and there is a corresponding receivable due for the payment of this note.	36,890	60,541

Equipment Loans - McCoy

Equipment note payable to an unrelated company, with monthly payments of \$150,000 in September 2016, October 2016, November 2016 and a final payment of \$315,000 due in December 2016. No extensions have been entered into subsequent to December 31, 2017 resulting in the note being in default.	540,000	540,000
On May 2, 2017, Quest entered into an equipment purchase agreement with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$250,000. Full payment was due September 12, 2017.	135,000	-
On June 12, 2017, Quest entered into an equipment purchase agreement with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$22,500. Full payment was due September 12, 2017.	22,500	-
On September 25, 2017, Quest entered into an equipment purchase agreement with an unaffiliated entity, Inc. to purchase certain underground mining equipment for \$350,000. The agreement provided for \$20,000 monthly payments until the balance is paid in full.	330,000	-

Business Loans - McCoy

Business loan agreement with Crestmark Bank in the amount of \$200,000, with monthly payments of 23,000, with an interest rate of 12%, through maturity in January 1, 2018. The note is secured by a corporate guaranty by the Company and a personal guaranty.	66,667	-
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Seller Note - Deane

Deane Mining - promissory note payable to an unrelated company, with monthly interest payments of \$10,000, at an interest rate of 6%, beginning June 30, 2016. The note is due December 31, 2017. No payments have been made on the note and no extensions have been entered into subsequent to December 31, 2017, resulting in the note being in default.	2,000,000	2,000,000
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Accounts Receivable Factoring Agreement

McCoy, Deane and Knott County secured accounts receivable note payable to a bank. The agreement calls for interest of .30% for each 10 days of outstanding balances. The advance is secured by the accounts receivable, corporate guaranty by the Company and personal guarantees by two officers of the Company. The agreement ends in October 2018	1,582,989	1,616,167
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Kentucky New Markets Development Program

Quest Processing - loan payable to Community Venture Investment XV, LLC, with interest only payments due quarterly until March 2023, at which time quarterly principal and interest payments are due. The note bears interest at 3.698554% and is due March 7, 2046. The loan is secured by all equipment and accounts of Quest Processing. See Note	4,117,139	4,117,139
Quest Processing - loan payable to Community Venture Investment XV, LLC, with interest only payments due quarterly until March 2023, at which time quarterly principal and interest payments are due. The note bears interest at 3.698554% and is due March 7, 2046. The loan is secured by all equipment and accounts of Quest Processing. See Note	1,026,047	1,026,047
Less: Debt Discounts and Loan Issuance Costs	(475,333)	(451,389)

Affiliate Notes

Notes payable to affiliate, due on demand with no interest and is uncollateralized. Equipment purchasing was paid by an affiliate resulting in the note payable.	\$ 74,000	\$ 74,000
During July 2017, an officer of the Company advanced \$50,000 to Quest. The advance is unsecured, non interest bearing and due on demand.	\$ 50,000	\$ -
	14,850,842	9,469,947
Less: Current maturities	9,769,154	4,505,006
Total Long-term Debt	<u>\$ 5,081,688</u>	<u>\$ 4,964,941</u>

Total interest expense was \$558,772 in 2017 and \$283,564 in 2016.

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

Payable In	Loan Principal	Lease Principal	Total Loan and Lease Principal	Lease Interest
2018	9,704,444	64,710	9,769,154	8,560
2019	312,707	125,798	438,505	3,722
2020	37,283	-	37,283	-
2021	10,491	-	10,491	-
2022	-	-	-	-
Thereafter	4,595,409		4,595,409	

NOTE 4 – RELATED PARTY TRANSACTIONS

On June 12, 2015, the Company executed a consulting agreement with an entity with common ownership. During 2017 and 2016, the Company incurred fees totaling \$0 and \$12,340,615, respectively, relating to services rendered under this agreement. The amount outstanding and payable as of December 31, 2017 and 2016, was \$17,840,615 and \$17,840,615, respectively. The amount is due on demand and does not accrue interest.

On January 1, 2016, the Company awarded stock options for 857,464 shares that were cashlessly exercised into 290,513 shares of Series A preferred stock or consulting efforts to an entity with common ownership. No stock options were awarded to related parties during 2017.

During 2015, equipment purchasing was paid by an affiliate resulting in a note payable. The balance of the note was \$74,000 as of December 31, 2017 and 2016, respectively.

On April 30, 2017, the Company purchased \$250,000 of secured debt that had been owed to that party, by an operating subsidiary of a related party. As a result of the transaction, the Company is now the creditor on the notes. The first note in the amount of \$150,000 is dated March 13, 2013, carries an interest rate of 12% and was due on September 13, 2015. The second note in the amount of \$100,000 is dated July 17, 2013, carries an interest rate of 12% and was due January 17, 2016. Both notes are in default and have been fully impaired due to collectability uncertainty. (see Note 9)

During July 2017, an officer of the Company advanced \$50,000 to Quest. The advance is unsecured, non interest bearing and due on demand. (see Note 3)

On June 12, 2015, the Company executed a consulting agreement with an entity with common ownership. During 2017 and 2016, the Company incurred fees totaling \$0 and \$12,340,615, respectively, relating to services rendered under this agreement. The amount outstanding and payable as of December 31, 2017 and 2016, was \$17,840,615 and \$17,840,615, respectively. The amount is due on demand and does not accrue interest.

NOTE 5 – VARIABLE INTEREST ENTITY

On October 24, 2016, the Company sold certain mineral and land interests to a subsidiary of an entity, LRR, owned by members of the Company's management. LRR leases various parcels of land to QEI and engages in other activities creating miscellaneous income. The consideration for the transaction was a note in the amount of \$178,683. The note bears no interest and is due in 2026. The balance as of December 31, 2016 was \$130,145. As of January 28, 2017, the note was paid in full. This transaction was eliminated upon consolidation as a variable interest entity.

The Company's management also manages the operations of LRR. LRR has assets totaling \$475,401 and liabilities totaling \$77,443 as of December 31, 2017 for which there were no restrictions. The Company's risk associated with LRR is greater than its ownership percentage and its involvement does not affect the Company's business beyond the relationship described above.

NOTE 6 – KENTUCKY NEW MARKETS DEVELOPMENT PROGRAM

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

On March 18, 2016, ERC Mining LLC, an entity consolidated as a VIE, lent \$4,117,139 to an unaffiliated entity, as part of the Kentucky New Markets Development Program loans. The note bears interest at 4% and is due March 7, 2046. The balance as of December 31, 2017 and 2016 was \$4,117,139 and \$4,117,139, respectively. Payments of interest only are due quarterly until March 18, 2023 at which time quarterly principal and interest are due. The note is collateralized by the equity interests of the borrower.

The Company's management also manages the operations of ERC Mining LLC. ERC Mining LLC has assets totaling \$4,415,860 and liabilities totaling \$4,117,139 as of December 31, 2017 for which there are to be used in conjunction with the transaction described above. Assets totaling \$3,818,418 and liabilities totaling \$4,117,139, respectively, are eliminated upon consolidation. The Company's risk associated with ERC Mining LLC is greater than its ownership percentage and its involvement does not affect the Company's business beyond the relationship described above.

NOTE 7 – MANAGEMENT AGREEMENT

On April 13, 2015, ERC entered into a mining and management agreement with an unrelated entity, to operate a coal mining and processing facility in Jasonville, Indiana. The agreement called for a monthly base fee of \$20,000 in addition to certain per ton fees based on performance to be paid to ERC. During 2017 and 2016 no fee had been paid and due to the uncertainty of collection, no fee has been recorded. Fees earned totaled \$240,000 and \$240,000 for 2017 and 2016, respectively, which have been fully reserved. The agreement called for equipment payments to be made by the entity. As of December 31, 2017, and 2016 amounts owed from the entity to ERC for equipment payments amounted to \$192,432 and \$258,096, respectively.

During 2017, ERC had advances of \$77,800 and repayments of \$625,227 of amounts previously advanced. During 2016, ERC had advances of \$1,975,000 which is unsecured, non-interest bearing and due upon demand and repayments of previously advanced amounts of \$1,175,000. Of the amounts received in 2017, \$387,427 was the collection of a previously impaired amount.

As part of the agreement, ERC retained the administrative rights to the underlying mining permit and reclamation liability. The entity has the right within the agreement to take the mining permits and reclamation liability at any time. In addition, all operational activity that takes place on the facility is the responsibility of the entity. ERC acts as a fiduciary and as such has recorded cash held for the entity's benefit as both an asset and an offsetting liability amounting to \$82,828 and \$24,987 respectively as of December 31, 2017 and 2016.

NOTE 8 – INCOME TAXES

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

Deferred tax assets consisted of \$4,152,800 at December 31, 2017, which was fully reserved. Deferred tax assets consist of net operating loss carryforwards in the amount of \$4,152,800 at December 31, 2017, which was fully reserved. The net operating loss carryforwards for years 2015, 2016 and 2017 begin to expire in 2035. The application of net operating loss carryforwards are subject to certain limitations as provided for in the tax code. The Tax Cuts and Jobs Act was signed into law on December 22, 2017 and reduced the corporate income tax rate from 34% to 21%. The Company's deferred tax assets, liabilities, and valuation allowance have been adjusted to reflect the impact of the new tax law.

The Company's effective income tax rate is lower than what would be expected if the U.S. federal statutory rate (34%) were applied to income before income taxes primarily due to certain expenses being deductible for tax purposes but not for financial reporting purposes. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. All years are open to examination as of December 31, 2017.

NOTE 9 – EQUITY TRANSACTIONS

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

During 2016, the Company issued options amounting to 6,363,225 shares (which includes shares disclosed above) under an adopted stock option plan that were cashlessly exercised into 2,267,362 shares of Series A preferred stock resulting in an expense of \$88,675.

On May 10, 2017, the Company issued warrants amounting to 8,334 common shares to a board member. The options expire May 9, 2020 and have an exercise price of \$3.60. An expense in the amount of \$40,000 was recognized for this issuance.

The Company had a note payable in the amount of \$50,000 which was assumed as part of the share exchange agreement and accounted for as an expense in the recapitalization transaction. On February 22, 2017, the Company modified the note to add a conversion option with a price of \$1.50. The conversion option was beneficial, therefore, the Company recognized \$50,000 as a discount to the assumed note payable. The note was immediately converted, resulting in the issuance of 33,334 shares and the full amortization of the discount.

The Company has Series A Preferred stock outstanding, which has the following key provisions: par value of \$0.0001, voting rights of 33(1/3) votes of Class A Common stock for each Series A Preferred stock, conversion to Class A Common stock at a rate 3(1/3) Class A Common stock, liquidation rights at \$1.65 per share, and anti-dilution protection through March 21, 2020 for conversion into Class A Common Stock at no less than 72.0% of the fully-diluted Class A Common stock outstanding. The Company evaluated the embedded conversion option under ASC 815. The conversion option was deemed clearly and closely related to its equity host instrument and as such was not bifurcated.

On March 7, 2017, ARC closed a private placement whereby it issued an aggregate of 500,000 shares of ARC's Series B Preferred Stock at a purchase price of \$1.00 per Series B Preferred share and warrants to purchase an aggregate of 208,334 shares of the ARC's common stock (subject to certain adjustments), for proceeds to ARC of \$500,000 (the "March 2017 Private Placement"). After deducting for fees and expenses, the aggregate net proceeds from the sale of the preferred series B shares and the warrants in the March 2017 Private Placement were approximately \$500,000. The 'A' warrants totaling 138,889 shares expire March 6, 2020 and hold an exercise price of \$7.60 per share. The 'A-1' warrants totaling 69,445 shares expire March 6, 2020 and hold an exercise price of \$.003 per share.

On April 2, 2017, American Resources Corporation closed a private placement whereby it issued an aggregate of 100,000 shares of the ARC's Series B Preferred Stock at a purchase price of \$1.00 per Series B Preferred share, and warrants to purchase an aggregate of 27,778 shares of the ARC's common stock (subject to certain adjustments), for proceeds to ARC of \$100,000 (the "April 2017 Private Placement"). After deducting for fees and expenses, the aggregate net proceeds from the sale of the Series B Preferred Stock and the warrants in the April 2017 Private Placement were approximately \$100,000. The 'A' warrants totaling 27,778 shares expire April 2, 2019 and hold an exercise price of \$7.20 per share.

On April 30, 2017, American Resources Corporation closed on a private placement agreement whereby it issued an aggregate of 250,000 shares of the ARC's Series B Preferred Stock and A warrants amounting to 69,445 to an unrelated party for the purchase of \$250,000 of secured debt that had been owed to that party, by an operating subsidiary of a related party. As a result of the transaction, the Company is now the creditor on the notes. The first note in the amount of \$150,000 is dated March 13, 2013, carries an interest rate of 12% and was due on September 13, 2015. The second note in the amount of \$100,000 is dated July 17, 2013, carries an interest rate of 12% and was due January 17, 2016. Both notes are in default and were impaired. The A warrants totaling 69,445 shares expire April 29, 2019 and hold an exercise price of \$7.20 per share.

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

The Series B Preferred share purchase agreement provides, for a period of nine months post execution of the purchase agreement, an option for the investor to put the Series B Preferred investment to the Company at a 12% premium to the Series B Preferred purchase price should the Company achieve certain hurdles, such as a secondary offering and an up-listing to a national stock exchange. Such put option expires after 20 days from notification of the Company to the Series B Preferred investor of the fulfillment of such qualifications.

Total preferred dividend requirement for 2017 and 2016 amounted to \$53,157 and \$0, respectively.

Total stock-based compensation expense incurred for awards to employees during 2017 and 2016 was \$0 and \$88,675, respectively. Fair value was determined using the total enterprise value approach.

On July 5, 2017, the Company issued 13,333 common shares and warrants to purchase 33,333 shares to an unrelated consulting company. The warrants had an exercise price of \$3.60 with a three-year term. The total compensation expense related to this warrant was \$10,000 which was determined using the closing stock price at the date of the grant and the Black-Sholes Option Pricing Model.

In conjunction with the ARC business loan, warrants of 5,996,609 common shares were issued and 979,603 were subsequently canceled at an exercise price ranging from \$.01 to \$11.44 per share and with an expiration date of October 2, 2020.

	2017
Expected Dividend Yield	0%
Expected volatility	13.73%
Risk-free rate	1.62%
Expected life of warrants	2-3 years

	Number of Warrants	Weighted Average Price	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding – December 31, 2015	-	-	-	-
Exercisable - December 31, 2015	-	-	-	-
Granted	-	-	-	-
Forfeited or Expired	-	-	-	-
Outstanding - December 31, 2016	-	-	-	-
Exercisable - December 31, 2016	-	-	-	-
Granted	6,343,833	\$ 2.317	2.706	\$ 174,253
Forfeited or Expired	979,603	\$ 0.560	1.997	\$ 36,184
Exercised	-	-	-	-
Outstanding - December 31, 2017	5,364,230	\$ 2.638	2.835	\$ 138,069
Exercisable - December 31, 2017	5,364,230	\$ 2.638	2.835	\$ 138,069

NOTE 10 – CONTINGENCIES

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

The company leases various office space some from an entity which we consolidate as a variable interest entity. (see note 5). The future annual rent is \$6,000 through 2021. Rent expense for 2017 and 2016 amounted to \$26,000 each year, respectively.

NOTE 11 – SUBSEQUENT EVENTS

On January 25, 2018, Quest entered into an equipment financing agreement with an unaffiliated entity, to purchase certain surface equipment for \$346,660. The agreement calls for monthly payments until maturity of December 25, 2020.

During 2018, the company drew an additional \$1,300,000 on the ARC business loan. (see note 3)

On March 29, 2018, Quest entered into an equipment financing agreement with an affiliated entity, to purchase certain surface mining equipment for \$135,000. Payments of \$75,000 and \$60,000 are due on April 6, 2018 and April 13, 2018, respectively.

PART II:
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the estimated fees and expenses paid or payable by the registrant in connection with the issuance and distribution of securities in this offering. All amounts are estimates.

Various filing fees	\$ 9,000
Accounting fees and expenses	\$ 6,000
Legal fees and expenses	\$ 6,000
Underwriter's Engagement Fee and Potential Expense Reimbursement	\$ 175,000
Miscellaneous expenses	\$ 9,000
Total	\$ 205,000

Item 14. Indemnification of Directors and Officers.

The Florida Business Corporation Act permits, but does not require, corporations to indemnify a director, officer or control person of the corporation for any liability asserted against her and liability and expenses incurred by her in her capacity as a director, officer, employee or agent, or arising out of her status as such, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, unless the articles of incorporation provide otherwise, whether or not the corporation has provided for indemnification in its articles of incorporation. Our articles of incorporation have no separate provision for indemnification of directors, officers, or control persons.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities.

COMMON STOCK

During the periods ending December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018, the Company engaged in the sale of its unregistered securities as described below. The shares of our common stock were issued pursuant to an exemption from registration in Section 4(a)(2) of the Securities Act of 1933. These shares of our common stock qualified for exemption under Section 4(a)(2) of the Securities Act of 1933 since the issuance of shares by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(a)(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, these shareholders had necessary investment intent as required by Section 4(a)(2) since they agreed to receive share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a "public offering." All shareholders are "sophisticated investors" and are family members, friends or business acquaintances of our officers and directors. Based on an analysis of the above factors, we believe we have met the requirements to qualify for exemption under section 4(a)(2) of the Securities Act of 1933 for this transaction.

On February 22, 2017, Tarpon Bay Partners LLC converted its \$50,000 promissory note and accrued interest held in the Company into 33,334 common shares, representing the full value of the promissory note held by Tarpon Bay Partners LLC.

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

On September 14, 2018, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro as compensation for the first six months of an agreement to provide for public relations with existing shareholders, broker dealers, and other investment professionals for the Company.

On November 7, 2018, Wyoming County Coal LLC, acquired 5 permits, coal processing and loading facilities, surface ownership, mineral ownership, and coal refuse storage facilities from unrelated entities. As part of the consideration for the acquired assets we issued 1,727,273 shares of common stock of the Company to the seller.

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

On November 5, 2018, 4,336,012 Series A preferred shares were converted into 14,453,373 common shares of the company in a cashless conversion under the terms of the agreement.

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

On November 7, 2018, \$36,000 worth of trade payables were settled with 6,000 common shares of the company.

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

On January 25, 2019, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro as compensation for the second six months of an agreement to provide for public relations with existing shareholders, broker dealers, and other investment professionals for the Company.

On January 27, 2019, the Company issued 1,000 shares of Class A Common Stock to an unrelated party for the consideration of \$5,000 to the Company.

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

On January 30, 2019, the Company issued 9,000 shares of Class A Common stock as compensation to American Capital Ventures, Inc. for six months of consulting services that include assistance to the Company in planning, reviewing and creating corporate communications, press releases, and presentations and consulting and liaison services to the Company relating to the conception and implementation of its corporate and business development plan.

On February 1, 2019, the Company issued a total of 1,000 shares of Class A Common Stock to two unrelated parties for the total consideration of \$5,000 to the Company.

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

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

On February 10, 2019, \$3,000 worth of trade payables were settled with 500 common shares of the company.

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

During the twelve months ended December 31, 2017 the Company issued shares to a non-related party for services, recorded at the fair market value of the share price, in the amount of 13,333 common shares. Additional shares of our common stock were issued at fair market value of the share price as set forth in the table below.

Date	Name	Shares	Fair Market Value	Dollar Amount
7/5/2017	Oscaleta Partners LLC	13,333	\$.75/share	\$ 10,000

During the twelve months ended December 31, 2016 the Company issued shares to a non-related party for services, recorded at the fair market value of the share price, in the amount of 3,805 common shares. Additional shares of our common stock were issued at fair market value of the share price as set forth in the table below. These items were transacted before the merger with the predecessor company (NGFC).

Date	Name	Shares	Fair Market Value	Dollar Amount
8/15/2016	Stockvest	3,334	\$ 12.00/share	\$ 40,000
9/30/2016	Clifford Hunt	221	\$12.00/share	\$ 2,650
9/30/2016	Lynx Management	250	\$12.00/share	\$ 3,000

SERIES A PREFERRED STOCK

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series A Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 5,000,000 shares of Series A Preferred stock. The Series A Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. Effective November 5, 2018, the eleven Series A Preferred holders elected to proportionally convert a total of 4,336,012 of the 4,817,792 total Series A Preferred stock outstanding into 14,453,373 common shares of the company. Effective February 14, 2019, the remaining 452,729 Series A Preferred shares were converted into 1,509,097 common shares of the company in a cashless conversion under the terms of the agreement. This resulted in no more Series A Preferred stock being outstanding as of this date.

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

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

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

SERIES C PREFERRED STOCK

Our certificate of incorporation authorizes our Board of Directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time our Series C Preferred stock, par value \$0.0001 per share, covering up to an aggregate of 20,000,000 shares of Series C Preferred stock. The Series C Preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the Board of Directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. As of the date of this prospectus, 50,000 shares of Series C Preferred stock are outstanding.

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

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

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

"BLANK CHECK" PREFERRED STOCK

Our certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock that is considered "blank check". The blank check preferred stock shall be designed by the Board of Directors at the time of classification

OPTIONS AND WARRANTS

Pursuant to our previously-completed Series B Preferred stock offering, investors in the Series B Preferred stock received warrants to purchase additional common shares at exercise prices stated within such warrant. The warrants have an expiration date of two or three years post the date of the investment in the Series B Preferred stock by the investor.

On October 24, 2018, one of the holders of the options issued pursuant to the Series B Preferred stock financing exercised 69,445 of his options through a cashless exercise and received 69,420 Class A Common shares as a result. Should all Series B Preferred stock warrant holders fully exercise their right to purchase shares, for cash, the Company will receive \$1,700,006 proceeds from such exercises and will increase the common shares outstanding by 236,112 shares.

On June 27, 2017 we entered into a settlement agreement with Oscaleta Partners LLC, a company we engaged on February 20, 2017 to perform consulting services to the Company, and as part of that settlement, we issued to Oscaleta Partners LLC the amount of 13,333 restricted shares, of the Company's common stock, and a three-year warrant to purchase up to 33,333 common shares of stock of the Company at an exercise price of \$3.60 per share. Should Oscaleta Partners LLC exercise all of its shares under the warrant, the company will receive \$119,999 cash proceeds.

On May 10, 2017, as compensation to Bill Bishop for his service on the Board of Directors of the Company, we issued Mr. Bishop a three-year warrant to purchase up to 8,334 common shares of our company at an exercise price of \$3.60 per share, subject to certain price adjustments and other provisions found within the warrant issued to Mr. Bishop. Should Mr. Bishop exercise the option through a cash payment to the Company, the Company will receive up to \$30,002 from Mr. Bishop and he will receive up to 8,334 restricted common shares of the Company. There are no registration rights associated with this warrant that require the Company to register the shares.

On October 4, 2017, we entered into a financing transaction with Golden Properties Ltd., a British Columbia company based in Vancouver, Canada ("Golden Properties") that involved a series of loans made by Golden Properties to the Company. As part of that financing, we issued to Golden Properties the following warrants:

- Warrant B-4, for the purchase of 3,417,006 shares of common stock at \$0.01 per share, as adjusted from time to time, expiring on October 4, 2020, and providing the Company with up to \$34,170 in cash proceeds should all the warrants be exercised;
- Warrant C-1, for the purchase of 400,000 shares of common stock at \$3.55 per share, as adjusted from time to time, expiring on October 4, 2019, and providing the Company with up to \$1,420,000 in cash proceeds should all the warrants be exercised;
- Warrant C-2, for the purchase of 400,000 shares of common stock at \$7.09 per share, as adjusted from time to time, expiring on October 4, 2019, and providing the Company with up to \$2,836,000 in cash proceeds should all the warrants be exercised;
- Warrant C-3, for the purchase of 400,000 shares of common stock at \$8.58 per share, as adjusted from time to time, expiring October 2, 2020, and providing the Company with up to \$3,432,000 in cash proceeds should all the warrants be exercised; and
- Warrant C-4, for the purchase of 400,000 shares of common stock at \$11.44 per share, as adjusted from time to time, expiring October 2, 2020, and providing the Company with up to \$4,576,000 in cash proceeds should all the warrants be exercised.

None of the warrants resulting from the agreement with Golden Properties have been exercised as of the date of this annual report.

On September 12, 2018, pursuant to the Company's Employee Incentive Stock Option Plan, we issued a total of 636,830 options to certain employees. The options have an expiration date of September 10, 2025 and have an exercise price of \$1.00 per share. Of the total options issued, 25,000 vested immediately, with the balance of 611,830 options vesting equally over the course of three years, subject to restrictions regarding the employee's continued employment by the Company.

On September 14, 2018, we entered into a consulting agreement with Redstone Communications, LLC, an Indiana limited liability company based in Carmel, Indiana, to provide for public relations with existing shareholders, broker dealers, and other investment professionals. As compensation under that agreement, for the first six months we issued to Redstone Communications a five-year option to purchase up to 175,000 common shares of our Company at an exercise price of \$1.00 per share and issued to Mr. Marlin Molinaro a five-year option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.00 per share. Should Redstone Communications, LLC and Mr. Molinaro exercise the options received under the first six months of engagement, the Company will receive up to \$175,000 and \$75,000, respectively. On January 25, 2019, Redstone Communications and the Company agreed to renew the consulting agreement, and as a result, we issued 105,000 restricted common shares to Redstone Communications LLC and 45,000 restricted common shares to Mr. Marlin Molinaro, and to Redstone Communications another five-year option to purchase up to 175,000 common shares of our Company at an exercise price of \$1.50 per share and issued to Mr. Marlin Molinaro another five-year option to purchase up to 75,000 common shares of our Company at an exercise price of \$1.50 per share. Should Redstone Communications, LLC and Mr. Molinaro receive and exercise the options received under the second six months of engagement, the Company will receive up to \$262,500 and \$112,500, respectively.

On November 15, 2018, as compensation to Randal V. Stephenson, Ian Sadler, and Courtenay O. Taplin for their service on the Board of Directors of the Company, we issued to each of them a three-year warrant to purchase up to 15,000 common shares of our company at an exercise price of \$6.00 per share, subject to certain price adjustments and other provisions found within the respective warrants. Should each of the three directors exercise the option through a cash payment to the Company, the Company will receive up to \$90,000 from each director, and each director will receive up to 15,000 restricted common shares of the Company. There are no registration rights associated with this warrant that require the Company to register the shares.

On December 3, 2018, pursuant to a consulting agreement with a non-related entity, we issued a two-year option to purchase up to 417 common shares of our company at an exercise price of \$6.00 per share. The option can be exercised via a cashless exercise by the holder at any time during its term.

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

EXHIBITS

Item 16. Exhibits and Financial Statement Schedules.

(A) Exhibits:

Exhibit Number	Description	Location Reference
1.1	Form of Underwriting Agreement	Filed Herewith.
1.2	Form of Underwriter's Warrant	Filed Herewith.
3.1	Articles of Incorporation of Natural Gas Fueling and Conversion Inc.	Incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, filed with the SEC on November 27, 2013.
3.2	Amended and Restated Articles of Incorporation of NGFC Equities Inc.	Incorporated herein by reference to Exhibit 3.1 to the Company's 8k filed on February 25, 2015.
3.3	Articles of Amendment to Articles of Incorporation of NGFC Equities, Inc.	Incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K on February 21, 2017.
3.4	Articles of Amendment to Articles of Incorporation of American Resources Corporation dated March 24, 2017.	Incorporated herein by reference to Exhibit 3.4 to the Company's Form 10-Q, filed with the SEC on May 15, 2018.
3.5	Bylaws of Natural Gas Fueling and Conversion Inc.	Incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 27, 2013.
3.6	Bylaws, of NGFC Equities Inc., as amended and restated.	Incorporated herein by reference to Exhibit 3.2 to the Company's 8k filed on February 25, 2015.
3.7	Articles of Amendment to Articles of Incorporation of American Resources Corporation dated November 8, 2018.	Filed as Exhibit 99.1 to the Company's 8k filed on November 13, 2018, incorporated herein by reference.
3.8	Bylaws of American Resources Corporation, as amended and restated	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on November 13, 2018.
4.1	Common Stock Purchase Warrant "B-4" dated October 4, 2017	Incorporated herein by reference to Exhibit 4.1 to the Company's 8k filed on October 11, 2017.
4.2	Common Stock Purchase Warrant "C-1" dated October 4, 2017	Incorporated herein by reference to Exhibit 4.2 to the Company's 8k filed on October 11, 2017.
4.3	Common Stock Purchase Warrant "C-2" dated October 4, 2017	Incorporated herein by reference to Exhibit 4.3 to the Company's 8k filed on October 11, 2017.
4.4	Common Stock Purchase Warrant "C-3" dated October 4, 2017	Incorporated herein by reference to Exhibit 4.4 to the Company's 8k filed on October 11, 2017.
4.5	Common Stock Purchase Warrant "C-4" dated October 4, 2017	Incorporated herein by reference to Exhibit 4.5 to the Company's 8k filed on October 11, 2017.
4.6	Promissory Note for \$600,000.00 dated October 4, 2017	Incorporated herein by reference to Exhibit 4.6 to the Company's 8k filed on October 11, 2017.
4.7	Promissory Note for \$1,674,632.14 dated October 4, 2017	Incorporated herein by reference to Exhibit 4.7 to the Company's 8k filed on October 11, 2017.
4.8	Loan Agreement for up to \$6,500,000 dated December 31, 2018	Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on January 3, 2019.
4.9	Promissory Note for up to \$6,500,000 dated December 31, 2018	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on January 3, 2019.
5.1	Opinion of Law Office of Clifford J. Hunt, P.A. as to legality	Filed Herewith.
10.1	Secured Promissory Note	Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on May 15, 2018.
10.2	Security Agreement	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on May 15, 2018.
10.3	Pledge Agreement	Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on May 15, 2018.
10.4	Guaranty Agreement	Incorporated herein by reference to Exhibit 99.4 to the Company's 8k filed on May 15, 2018.
10.5	Bill of Sale	Incorporated herein by reference to Exhibit 99.5 to the Company's 8k filed on May 15, 2018.
10.6	Sublease Agreement Between Colonial Coal Company, Inc. and McCoy Elkhorn Coal LLC	Incorporated herein by reference to Exhibit 99.1 to the Company's 8k filed on May 1, 2018
10.7	Interim Operating Agreement	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on May 1, 2018
10.8	Consolidated and Restated Loan and Security Agreement dated October 4, 2017	Incorporated herein by reference to Exhibit 10.1 to the Company's 8k filed on October 11, 2017
10.9	Asset Purchase Agreement between Wyoming County Coal LLC and Thomas Shelton dated November 7, 2018	Filed Herewith.
10.10	Asset Purchase Agreement between Wyoming County Coal LLC and Synergy Coal, LLC dated November 7, 2018	Filed Herewith.
10.11	Security Agreement	Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on January 3, 2019.
10.12	Purchase Order	Incorporated herein by reference to Exhibit 99.4 to the Company's 8k filed on January 3, 2019.
10.13	Employment Agreement with Mark C. Jensen	Filed Herewith
10.14	Employment Agreement with Thomas M. Sauve	Filed Herewith
10.15	Employment Agreement with Kirk P. Taylor	Filed Herewith
10.16	Employee Stock Option Plan	Filed Herewith
10.17	Letter of Intent	Filed Herewith

<u>10.18</u>	Merger Agreement with Colonial Coal	Filed Herewith
<u>10.19</u>	Share Exchange Agreement to replace Merger Agreement with Colonial Coal	Filed Herewith
14.1	Code of Conduct	Incorporated herein by reference to Exhibit 99.2 to the Company's 8k filed on November 13, 2018.
14.2	Financial Code of Ethics	Incorporated herein by reference to Exhibit 99.3 to the Company's 8k filed on November 13, 2018.
23.1	Consent of MaloneBailey LLP	File Herewith.
23.2	Consent of Law office of Clifford J. Hunt, P.A. included in Exhibit 5.1	File Herewith.
95.1	Mine Safety Disclosure pursuant to Regulation S-K, Item 104	Filed Herewith.
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§ 230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining liability under the Securities Act to any purchaser:

(i) If the registrant is relying on Rule 430B (§ 230.430B of this chapter):

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) (§ 230.424(b)(3) of this chapter) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) (§ 230.424(b)(2), (b)(5), or (b)(7) of this chapter) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) (§ 230.415(a)(1)(i), (vii), or (x) of this chapter) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For the purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) or under the securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities as that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fishers, State of Indiana on February 14, 2019.

American Resources Corporation

By: /s/ Mark C. Jensen

Name: Mark C. Jensen

Title: Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Mark C. Jensen, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, and hereby grants to such attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Mark C. Jensen</u> Mark C. Jensen	Chairman of the Board of Directors, Chief Executive Officer	February 14, 2019
<u>/s/ Thomas M. Sauve</u> Thomas M. Sauve	Director, President	February 14, 2019
<u>/s/ Kirk P. Taylor</u> Kirk P. Taylor	Chief Financial Officer (Principal Accounting Officer)	February 14, 2019
<u>/s/ Randal V. Stephenson</u> Randal V. Stephenson	Director	February 14, 2019
<u>/s/ Ian Sadler</u> Ian Sadler	Director	February 14, 2019
<u>/s/ Courtenay O. Taplin</u> Courtney O. Taplin	Director	February 14, 2019

[●] Shares

American Resources Corporation

Underwriting Agreement

February [●], 2019

Maxim Group LLC

405 Lexington Avenue

New York, NY 10174

Ladies and Gentlemen:

American Resources Corporation, a Florida corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the underwriter or underwriters, as the case may be, named in Schedule I hereto (each, an "Underwriter" and, collectively, the "Underwriters;" in the event that only a sole Underwriter is named on Schedule I hereto, then all references to "Underwriters" shall be deemed to mean and refer to such sole Underwriter), for whom Maxim Group LLC ("Maxim") is acting as the representative (the "Representative"), an aggregate of [●] shares (the "Firm Shares") of the Company's Class A common stock, par value \$0.0001 per share (the "Common Stock"). The Company has also agreed to grant to the Representative on behalf of the Underwriters an option (the "Option") to purchase up to an additional shares (the "Optional Shares") of Common Stock (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 1(b) hereof are herein collectively called the "Shares").

The Company confirms as follows its agreement with each of the Underwriters:

1. Agreement to Sell and Purchase.

(a) *Purchase of Firm Shares.* On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell, severally and not jointly, to the several Underwriters, an aggregate of [_____] Firm Shares of the Company at a purchase price (net of discounts and commissions) of \$[_____] per Firm Share. The Underwriters, severally and not jointly, agree to purchase from the Company the number of Firm Shares set forth opposite their respective names on Schedule I attached hereto and made a part hereof at a purchase price (net of discounts and commissions) of \$[_____] per Firm Share.

(b) *Purchase of Option Shares.* Subject to all the terms and conditions of this Agreement, the Company grants to the Representative on behalf of the Underwriters the Option to purchase, severally and not jointly, up to [_____] Option Shares. The purchase price to be paid for the Option Shares (net of discounts and commissions) will be \$[_____] per Option Share. The Option may be exercised in whole or in part at any time on or before the 45th day after the date of this Agreement, upon written notice (the "Option Notice") by the Representative to the Company no later than 12:00 noon, New York City time, at least one and no more than five business days before the date specified for closing in the Option Notice (the "Option Closing Date") setting forth the aggregate number of shares of Common Stock to be purchased and the time and date for such purchase. Upon exercise of the Option, the Company will become obligated to convey to the Underwriters, and, subject to the terms and conditions set forth herein, the Underwriters will become obligated to purchase, the number of shares of Common Stock specified in the Option Notice. If any Option Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Option Shares (as adjusted by the Representative in such manner as it deems advisable to avoid fractional securities) that bears the same proportion to the number of Firm Shares to be purchased by it as set forth on Schedule I opposite such Underwriter's name as the total number of Option Shares to be purchased bears to the total number of Firm Shares.

(c) *Representative's Warrants.* The Company hereby agrees to issue to the Representative (and/or its designees) on the Closing Date and each Option Closing Date, as the case may be, Warrants to purchase an aggregate of seven percent (7%) of the shares of Common Stock issued at such closing (the "Representative's Warrants"). The Representative's Warrants shall be exercisable, in whole or in part, commencing 180 days after the Effective Date and expiring on the three-year anniversary thereof, at an initial exercise price of \$[●] per share, which is equal to one hundred and ten percent (110%) of the initial public offering price of the Firm Shares issued at such closing. The Representative's Warrants and the shares of Common Stock issuable upon exercise of the Representative's Warrants are hereinafter referred to collectively as the "Representative's Securities" and the Representative's Securities together with the Shares are hereinafter referred to as the "Securities."

2. Delivery and Payment.

(a) *Closing.* Delivery of the Firm Shares shall be made to the Representative through the facilities of the Depository Trust Company ("DTC") for the respective accounts of the Underwriters against payment of the Purchase Price by wire transfer of immediately available funds to the order of the Company. Such payment shall be made at 10:00 a.m., New York City time, on the second business day (the third business day, should the offering be priced after 4:00 p.m., New York City Time) after the date of this Agreement or at such time on such other date, not later than ten business days after such date, as may be agreed upon by the Company and the Representative (such date is hereinafter referred to as the "Closing Date").

(b) *Option Closing.* To the extent the Option is exercised, delivery of the Option Shares against payment by the Underwriters (in the manner and at the location specified above) shall take place at the time and date (which may be the Closing Date, but not earlier than the Closing Date) specified in the Option Notice.

(c) *Electronic Transfer.* Electronic transfer of the Shares shall be made at the time of purchase in such names and in such denominations as the Representative shall specify.

(d) *Tax Stamps.* The cost of original issue tax stamps, if any, in connection with the issuance and delivery of the Shares by the Company to the Underwriters shall be borne by the Company. The Company shall pay and hold each Underwriter and any subsequent holder of the Shares harmless from any and all liabilities with respect to or resulting from any failure or delay in paying United States federal and state and foreign stamp and other transfer taxes, if any, which may be payable or determined to be payable in connection with the original issuance, sale and delivery to such Underwriter of the Securities.

3. Representations and Warranties of the Company.

(a) *Compliance with Registration Requirements.* A registration statement on Form S-1 (Registration No. 333-226042) relating to the Securities, including a preliminary prospectus and such amendments to such registration statement as may have been required prior to the date of this Agreement, has been prepared by the Company under the provisions of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (collectively referred to as the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, and has been filed with the Commission. Copies of such registration statement and of each amendment thereto, if any, including the related preliminary prospectuses, heretofore filed by the Company with the Commission have been delivered to the Underwriters. The term "Registration Statement" means such registration statement on Form S-1 as amended at the time it becomes or became effective, including financial statements, all exhibits and any information deemed to be included or incorporated by reference therein, including any information deemed to be included pursuant to Rule 430A or Rule 430B of the Rules and Regulations, as applicable. If the Company files a registration statement to register a portion of the Securities and relies on Rule 462(b) of the Rules and Regulations for such registration statement to become effective upon filing with the Commission (the "Rule 462 Registration Statement"), then any reference to the "Registration Statement" shall be deemed to include the Rule 462 Registration Statement, as amended from time to time. The term "preliminary prospectus" as used herein means a preliminary prospectus as contemplated by Rule 430 or Rule 430A of the Rules and Regulations included at any time as part of, or deemed to be part of or included in, the Registration Statement. The term "Prospectus" means the final prospectus in connection with this offering as first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations or, if no such filing is required, the form of final prospectus included in the Registration Statement at the effective date, except that if any revised prospectus or prospectus supplement shall be provided to the Representative by the Company for use in connection with the Shares which differs from the Prospectus (whether or not such revised prospectus or prospectus supplement is required to be filed by the Company pursuant to Rule 424(b)), the term "Prospectus" shall also refer to such revised prospectus or prospectus supplement, as the case may be, from and after the time it is first provided to the Representative for such use. Any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include: (i) the filing of any document under the Securities Exchange Act of 1934, as amended, and together with the rules and regulations promulgated thereunder (collectively, the "Exchange Act") after the effective date of the Registration Statement, the date of such preliminary prospectus or the date of the Prospectus, as the case may be, which is incorporated therein by reference, and (ii) any such document so filed.

(b) *Effectiveness of Registration.* The Registration Statement, any Rule 462 Registration Statement and any post-effective amendment thereto have been declared effective by the Commission under the Act or have become effective pursuant to Rule 462 of the Rules and Regulations. The Company has responded to all requests, if any, of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462 Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the knowledge of the Company, are threatened by the Commission.

(c) *Accuracy of Registration Statement.* Each of the Registration Statement, any Rule 462 Registration Statement and any post-effective amendment thereto, at the time it became effective, when any document filed under the Exchange Act was or is filed and at all subsequent times, complied and will comply in all material respects with the Act and the Rules and Regulations, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. The Prospectus, as amended or supplemented, as of its date and at all subsequent times when a prospectus is delivered or required (or, but for the provisions of Rule 172, would be required) by applicable law to be delivered in connection with sales of Securities, complied and will comply in all material respects with the Act, the Exchange Act and the Rules and Regulations, and did not or will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading, in the light of the circumstances under which they were made. Each preliminary prospectus (including the preliminary prospectus or prospectuses filed as part of the Registration Statement or any amendment thereto) complied when so filed in all material respects with Act, the Exchange Act and the Rules and Regulations, and each preliminary prospectus and the Prospectus delivered to the Representative for use in connection with this offering is identical to the electronically transmitted copies thereof filed with the Commission on EDGAR, except to the extent permitted by Regulation S-T. The foregoing representations and warranties in this Section 3(c) do not apply to any statements or omissions made in reliance on and in conformity with information relating to the Underwriters furnished in writing to the Company by the Underwriters through the Representative specifically for inclusion in the Registration Statement or Prospectus or any amendment or supplement thereto. For all purposes of this Agreement, the information set forth in the Prospectus (i) in the third paragraph under the caption "Underwriting" setting forth the amount of the selling concession, and (ii) in the eleventh, twelfth and thirteenth paragraphs under the caption "Underwriting" regarding stabilization, short positions and penalty bids constitutes the only information (the "Underwriters' Information") relating to the Underwriters furnished in writing to the Company by the Underwriters through the Representative specifically for inclusion in the preliminary prospectus, the Registration Statement or the Prospectus.

(d) *Company Not Ineligible Issuer.* (i) At the time of filing the Registration Statement relating to the Securities and (ii) as of the date of the execution and delivery of this Agreement (with such date being used as the determination date for purposes of this clause (ii)), the Company was not and is not an "ineligible issuer" (as defined in Rule 405 of the Rules and Regulations).

(e) *Disclosure at the Time of Sale.* As of the Applicable Time, neither (i) the Issuer General Use Free Writing Prospectus(es) (as defined below) issued at or prior to the Applicable Time, the most recent preliminary prospectus related to this offering, and the information included on Schedule II hereto, all considered together (collectively, the "General Disclosure Package"), nor (ii) any individual Issuer Limited Use Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the General Disclosure Package based upon and in conformity with written information furnished to the Company by the Underwriters through the Representative specifically for use therein, it being understood and agreed that the only such information furnished by the Underwriters consists of the Underwriters' Information.

As used in this subsection and elsewhere in this Agreement:

"Applicable Time" means [8:15 a.m.] (New York City Time) on [], 2019 or such other time as agreed by the Company and the Representative.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 of the Rules and Regulations, relating to the Securities that (i) is required to be filed with the Commission by the Company, (ii) is "a written communication that is a road show" within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission or (iii) is exempt from filing pursuant to Rule 433(d)(5)(i) because it contains a description of the Securities or of the Offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"Issuer General Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being specified in Schedule II hereto.

"Issuer Limited Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

(f) *Issuer Free Writing Prospectuses.* Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the Prospectus Delivery Period (as defined below), does not include any information that conflicts with the information contained in the Registration Statement. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with the Underwriters' Information. If at any time following the issuance of an Issuer Free Writing Prospectus there occurred an event or development as a result of which such Issuer Free Writing Prospectus conflicted with the information contained in the Registration Statement relating to the Securities or included an untrue statement of material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances prevailing at that subsequent time, not misleading, the Company has promptly notified the Representative and has promptly amended or supplemented, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(g) *Distribution of Offering Material by the Company.* The Company has not distributed and will not distribute, prior to the later of the Closing Date, any Option Closing Date and the completion of the Underwriters' distribution of the Securities, any offering material in connection with the offering or sale of the Securities, the Registration Statement, the preliminary prospectus, the Permitted Free Writing Prospectuses reviewed and consented to by the Representative and included in Schedule II hereto, and the Prospectus. None of the Marketing Materials, as of their respective issue dates and at all subsequent times through the Prospectus Delivery Period (as defined below), include any information that conflicts with the information contained in the Registration Statement. If at any time following the issuance of any Marketing Material there occurred an event or development as a result of which such Marketing Material conflicted with the information contained in the Registration Statement relating to the Securities or included an untrue statement of material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances prevailing at that subsequent time, not misleading, the Company has promptly notified the Representative and has promptly amended or supplemented, at its own expense, such Marketing Material to eliminate or correct such conflict, untrue statement or omission.

(h) *Subsidiaries.* The names and jurisdictions of incorporation or formation of each of the Company's subsidiaries (the "Subsidiaries") are set forth in the Registration Statement, the General Disclosure Package and the Prospectus. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, (i) the Company does not own or control, directly or indirectly, any corporation, association or other entity that is "significant" to the Company within the meaning of Rule 1-02(w) of Regulation S-X and (ii) the Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other similar restriction (each, a "Lien"), and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(i) *Organization and Qualification.* The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of this Agreement, the Warrant Agreement (as hereinafter defined), the Warrants, the Underwriters' Warrants or any other agreement, document, certificate or instrument required to be delivered pursuant to this Agreement (collectively, the "Transaction Documents"), (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no action, claim, suit or proceeding (including, without limitation, a partial proceeding, such as a deposition), whether commenced or threatened (each, a "Proceeding") has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(j) *Authorization; Enforcement.* The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals (as hereinafter defined in Section 3(l)). This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, assuming due authorization, execution and delivery by the Representative, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(k) *No Conflicts.* The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as would not have or reasonably be expected to result in a Material Adverse Effect.

(l) *Filings, Consents and Approvals.* The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filing with the Commission of the Registration Statement and the Prospectus, (ii) application(s) to the Nasdaq Capital Market for the listing of the Shares for trading thereon in the time and manner required thereby, (iii) such filings, if any, as are required to be made under applicable state securities laws, (iv) such notices, filings or authorizations as are required to be obtained or made under applicable rules of the Financial Industry Regulatory Authority, Inc. ("FINRA") and The Nasdaq Stock Market, and (v) such notices, filings or authorizations as have been obtained, given or made as of the date hereof (collectively, the "Required Approvals").

(m) *Issuance of the Securities.* The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens.

(n) *Capitalization.* The capitalization of the Company as of the date hereof is as set forth in the Registration Statement, the General Disclosure Package and the Prospectus. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the Company's equity incentive plans, the issuance of shares of Common Stock to employees, directors or consultants pursuant to the Company's equity incentive plans and pursuant to the conversion and/or exercise of any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock ("Common Stock Equivalents") and is outstanding as of the date of the most recently filed periodic report under the Exchange Act. No individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind (each, a "Person") has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Securities or as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. The issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Underwriters) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no securities of the Company or any Subsidiary that have any anti-dilution or similar adjustment rights (other than adjustments for stock splits, recapitalizations, and the like) to the exercise or conversion price, have any exchange rights, or reset rights. Except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, there are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance in all material respects with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(o) *SEC Reports; Financial Statements.* The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, together with the Registration Statement, the General Disclosure Package and the Prospectus, being collectively referred to herein as the “SEC Reports”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Act. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“GAAP”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. The agreements and documents described in the SEC Reports conform to the descriptions thereof contained therein and there are no agreements or other documents required by the Act and the rules and regulations thereunder to be described in the SEC Reports or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company is a party or by which it is or may be bound or affected and (i) that is referred to in the SEC Reports, or (ii) is material to the Company’s business, has been duly authorized and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company and, to the Company’s knowledge, the other parties thereto, in accordance with its terms, except (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefore may be brought. Except as disclosed in the SEC Reports, none of such agreements or instruments has been assigned by the Company, and neither the Company nor, to the best of the Company’s knowledge, any other party is in default thereunder and, to the best of the Company’s knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default thereunder. To the best of the Company’s knowledge, performance by the Company of the material provisions of such agreements or instruments will not result in a violation of any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court, domestic or foreign, having jurisdiction over the Company or any of its assets or businesses, including, without limitation, those relating to environmental laws and regulations.

(p) *Material Changes; Undisclosed Events, Liabilities or Developments*. Since the date of the latest audited financial statements included within the SEC Reports, except as reflected or specifically disclosed in a subsequent SEC Report filed prior to the date hereof, (i) there has been no event, occurrence or development that has had or that would reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company equity incentive plans or as set forth in the Registration Statement, the General Disclosure Package and the Prospectus. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(q) *Litigation*. There is no action, suit, inquiry, notice of violation or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) would, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Act.

(r) *Labor Relations*. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which would reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(s) *Compliance.* Except as disclosed in the SEC Reports and except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including, without limitation, all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not have or reasonably be expected to result in a Material Adverse Effect.

(t) *Environmental Laws.* The Company and its Subsidiaries (i) are in compliance in all material respects with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(u) *Regulatory Permits.* The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits would not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any written notice of proceedings relating to the revocation or modification of any Material Permit.

(v) *Title to Assets.* The Company and the Subsidiaries have good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance in all material respects.

(w) *Intellectual Property*. To the knowledge of the Company, the Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or required for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or be abandoned, within two (2) years from the date of this Agreement, except where such action would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as would not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has no knowledge that it lacks or will be unable to obtain any rights or licenses to use all Intellectual Property Rights that are necessary to conduct its business.

(x) *Insurance*. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Purchase Price. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(y) *Transactions With Affiliates and Employees*. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(z) *Sarbanes-Oxley; Internal Accounting Controls.* The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Company as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date or the Option Closing Date, as applicable. Except as set forth in the SEC Reports, the Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(aa) *Certain Fees; FINRA Affiliation.* Except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. To the Company's knowledge, there are no other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its stockholders that may affect the Underwriters' compensation, as determined by FINRA. The Company has not made any direct or indirect payments (in cash, securities or otherwise) to (i) any person, as a finder's fee, investing fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who provided capital to the Company, (ii) any FINRA member, or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member within the 12-month period prior to the date on which the Registration Statement was filed with the Commission (the "Filing Date") or thereafter. To the Company's knowledge, no (i) officer or director of the Company or its subsidiaries, (ii) owner of 5% or more of the Company's unregistered securities or that of its subsidiaries or (iii) owner of any amount of the Company's unregistered securities acquired within the 180-day period prior to the Filing Date, has any direct or indirect affiliation or association with any FINRA member. The Company will advise the Underwriters and their respective counsel if it becomes aware that any officer, director or stockholder of the Company or its subsidiaries is or becomes an affiliate or associated person of a FINRA member participating in the Offering.

(bb) *Investment Company.* The Company is not, and is not an affiliate of, and immediately after receipt of payment for the Securities, will not be or be an affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(cc) *Registration Rights.* Except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, no Person has any right to cause the Company or any Subsidiary to effect the registration under the Act of any securities of the Company or any Subsidiary.

(dd) *Listing and Maintenance Requirements.* The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Common Stock has been approved for listing on the Nasdaq Capital Market (the "Exchange") subject to notice of issuance on the Exchange, and the Company has taken no action designed to, or likely to have the effect of, delisting the Common Stock from the Exchange, nor has the Company received any notification that the Exchange is contemplating terminating such listing. Except as disclosed in the SEC Reports, the Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(ee) *No Integrated Offering.* Neither the Company or any Person acting on its behalf, nor, to the Company's knowledge, any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Company (as such terms are used in and construed under Rule 405 under the Act) (each, an "Affiliate") or any Person acting on their behalf, has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company.

(ff) *Solvency.* Based on the consolidated financial condition of the Company as of the Closing Date and as of the Option Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, may be insufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). Except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, the Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date or the Option Closing Date, as applicable. The Registration Statement, the General Disclosure Package and the Prospectus sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(gg) *Tax Status.* Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, each of the Company and its Subsidiaries (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(hh) *Foreign Corrupt Practices.* Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of Foreign Corrupt Practices Act of 1977, as amended.

(ii) *Accountants.* The Company's accounting firm is MaloneBailey, LLP (the "Accountants"). The Accountants have certified the financial statements and supporting schedules of the Company included in the Registration Statement and the Prospectus, and are independent registered public accountants as required by the Act, the Exchange Act and the Rules and Regulations, and such Accountants are not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 with respect to the Company.

(jj) *Regulation M Compliance.* The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Underwriters in connection with the offering.

(kk) *Office of Foreign Assets Control.* Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or Affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(ll) *U.S. Real Property Holding Corporation*. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon the Representative's request.

(mm) *Bank Holding Company Act*. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA"), and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(nn) *Money Laundering*. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(oo) *Benefit Plans*. Any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company or its "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA; "ERISA Affiliate" means, with respect to the Company, any member of any group of organizations described in Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code") of which the Company is a member; no "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur (other than events as to which the requirement of notice has been waived by the Pension Benefit Guaranty Corporation) with respect to any "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates (without regard to Code Sections 414(m) and (o)) for which the Company would have any material liability; no "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA); neither the Company nor any of its ERISA Affiliates has incurred or reasonably expects to incur any material liability under (A) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (B) Sections 412, 4971, 4975 or 4980B of the Code; each "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred whether by action or failure to act, which would cause the loss of such qualification. Each share option granted by the Company under the Company's share option plans was granted (i) in accordance with the terms of the Company's share option plans and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such share option would be considered granted under GAAP and applicable law. No share option granted under the Company's share option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, share options prior to, or otherwise knowingly coordinate the grant of share options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects

(pp) *Statistical Data.* Any statistical and market related data contained in the Registration Statement, the General Disclosure Package and the Prospectus are based on or derived from sources which the Company believes are reliable and accurate and the Company has obtained the written consent to the use of such data from such sources to the extent required;

(qq) *Officer's Certificates.* Any certificate signed by any officer of the Company or any of its Subsidiaries delivered to the Representative or its counsel shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

4. Agreements of the Company. The Company agrees with each of the Underwriters:

(a) *Amendments and Supplements to Registration Statement.* The Company shall not, either prior to any effective date or thereafter during such period as the Prospectus is required by law to be delivered (whether physically or through compliance with Rule 172 of the Rules and Regulations or any similar rule) (the "Prospectus Delivery Period") in connection with sales of the Securities by an Underwriter or dealer, amend or supplement the Registration Statement, the General Disclosure Package or the Prospectus, unless a copy of such amendment or supplement thereof shall first have been submitted to the Representative within a reasonable period of time prior to the filing or, if no filing is required, the use thereof and the Representative shall not have objected thereto in good faith.

(b) *Amendments and Supplements to the Registration Statement, the General Disclosure Package, and the Prospectus and Other Act Matters.* During the Prospectus Delivery Period, the Company will comply with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, and by the Exchange Act so far as necessary to permit the continuance of sales of or dealings in the Securities as contemplated by the provisions hereof, the General Disclosure Package, the Registration Statement and the Prospectus. If, during the Prospectus Delivery Period, any event or development shall occur or condition exist as a result of which the General Disclosure Package or the Prospectus, as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing or under which they were made, as the case may be, not misleading, or if it shall be necessary to amend or supplement the General Disclosure Package or the Prospectus in order to make the statements therein, in the light of the circumstances then prevailing or under which they were made, as the case may be, not misleading, or if in the opinion of the Representative it is otherwise necessary to amend or supplement the Registration Statement, the General Disclosure Package or the Prospectus, or to file a new registration statement containing the Prospectus, in order to comply with the Act, the Rules and Regulations, the Exchange Act or the Exchange Act Rules, including in connection with the delivery of the Prospectus, the Company agrees to (i) promptly notify the Representative of any such event or condition and (ii) promptly prepare (subject to Section 4(a) and 4(f) hereof), file with the Commission (and use its best efforts to have any amendment to the Registration Statement or any new registration statement to be declared effective) and furnish at its own expense to the Representative (and, if applicable, to dealers), amendments or supplements to the Registration Statement, the General Disclosure Package or the Prospectus, or any new registration statement, necessary in order to make the statements in the General Disclosure Package or the Prospectus as so amended or supplemented, in the light of the circumstances then prevailing or under which they were made, as the case may be, not misleading, or so that the Registration Statement or the Prospectus, as amended or supplemented, will comply with the Act, the Rules and Regulations, the Exchange Act or the Exchange Act Rules or any other applicable law.

(c) *Notifications to the Underwriters.* The Company shall use its best efforts to cause the Registration Statement to become effective, and shall notify the Representative promptly, and shall confirm such advice in writing, (i) when any post-effective amendment to the Registration Statement has become effective and when any post-effective amendment thereto becomes effective, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information, (iii) of the commencement by the Commission or by any state securities commission of any proceedings for the suspension of the qualification of any of the Securities for offering or sale in any jurisdiction or of the initiation, or the threatening, of any proceeding for that purpose, including, without limitation, the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose or the threat thereof, (iv) of the happening of any event during the Prospectus Delivery Period that in the judgment of the Company makes any statement made in the Registration Statement or the Prospectus misleading (including by omission) or untrue or that requires the making of any changes in the Registration Statement or the Prospectus in order to make the statements therein, in light of the circumstances in which they are made, not misleading (including by omission), and (v) of receipt by the Company or any representative of the Company of any other communication from the Commission relating to the Company, the Registration Statement, any preliminary prospectus or the Prospectus. If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement, the Company shall use best efforts to obtain the withdrawal of such order at the earliest possible moment. The Company shall comply with the provisions of and make all requisite filings with the Commission pursuant to Rules 424(b), 430A, 430B and 462(b) of the Rules and Regulations and to notify the Representative promptly of all such filings.

(d) *Executed Registration Statement.* The Company shall furnish to the Representative, without charge, one signed copy of the Registration Statement, and of any post-effective amendment thereto, including financial statements and schedules, and all exhibits thereto, and shall furnish to the Representative, without charge, a copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules but without exhibits.

(e) *Undertakings.* The Company shall comply with all the provisions of any undertakings contained and required to be contained in the Registration Statement.

(f) *Prospectus.* The Company shall prepare the Prospectus in a form approved by the Representative and shall file such Prospectus with the Commission pursuant to Rule 424(b) of the Rules and Regulations with a filing date not later than the second business day following the execution and delivery of this Agreement. Promptly after the effective date of the Registration Statement, and thereafter from time to time during the period when the Prospectus is required (or, but for the provisions of Rule 172 under the Act, would be required) to be delivered, the Company shall deliver to the Representative, without charge, as many copies of the Prospectus and any amendment or supplement thereto as the Representative may reasonably request. The Company consents to the use of the Prospectus and any amendment or supplement thereto by the Representative and by all dealers to whom the Securities may be sold, both in connection with the offering or sale of the Securities and for any period of time thereafter during the Prospectus Delivery Period. If, during the Prospectus Delivery Period any event shall occur that in the judgment of the Company or counsel to the Underwriters should be set forth in the Prospectus in order to make any statement therein, in the light of the circumstances under which it was made, not misleading (including by omission), or if it is necessary to supplement or amend the Prospectus to comply with law, the Company shall forthwith prepare and duly file with the Commission an appropriate supplement or amendment thereto, and shall deliver to the Representative, without charge, such number of copies thereof as the Representative may reasonably request.

(g) *Permitted Free Writing Prospectuses.* The Company represents and agrees that it has not made and, unless it obtains the prior consent of the Representative, will not make, any offer relating to the Securities that would constitute a “free writing prospectus” as defined in Rule 405 of the Rules and Regulations, required to be filed with the Commission or retained by the Company under Rule 433 of the Rules and Regulations; *provided* that the prior written consent of the Representative hereto shall be deemed to have been given in respect of the Issuer Free Writing Prospectuses included in Schedule II hereto. Any such free writing prospectus consented to by the Representative is herein referred to as a “Permitted Free Writing Prospectus.” The Company agrees that (i) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus, and (ii) has complied and will comply, as the case may be, with the requirements of Rules 164 and 433 of the Act applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the Commission, legending and record keeping. If at any time following the issuance of an Issuer Free Writing Prospectus there occurs an event or development as a result of which such Issuer Free Writing Prospectus would conflict with the information contained in the Registration Statement relating to the Securities or would include an untrue statement of material fact or would omit to state a material fact necessary in order to make the statements therein, in light of the circumstances prevailing at that subsequent time, not misleading, the Company will promptly notify the Representative and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement, or omission. The Company represents that it has satisfied and agrees that it will satisfy the conditions in Rule 433 to avoid a requirement to file with the Commission any electronic road show.

(h) *Compliance with Blue Sky Laws.* Prior to any public offering of the Securities by the Underwriters, the Company shall cooperate with the Representative and counsel to the Underwriters in connection with the registration or qualification (or the obtaining of exemptions from the application thereof) of the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representative may request limitation, *provided, however*, that in no event shall the Company be obligated to qualify a public offering outside the United States or to do business as a foreign corporation in any jurisdiction where it is not now so qualified, to qualify or register as a dealer in securities, to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject or subject itself to ongoing taxation in respect of doing business in any jurisdiction in which it is not so subject.

(i) *Delivery of Financial Statements.* During the period of five years commencing on the effective date of the Registration Statement applicable to the Underwriters, the Company shall furnish to the Representative and each other Underwriter who may so request copies of such financial statements and other periodic and special reports as the Company may from time to time distribute generally to the holders of any class of its capital stock, and will furnish to the Representative and each other Underwriter who may so request a copy of each annual or other report it shall be required to file with the Commission; *provided, however*, that the availability of electronically transmitted copies filed with the Commission pursuant to EDGAR shall satisfy the Company's obligation to furnish copies hereunder.

(j) *Availability of Earnings Statements.* The Company shall make generally available to holders of its securities as soon as may be practicable but in no event later than the last day of the fifteenth (15th) full calendar month following the calendar quarter in which the most recent effective date occurs in accordance with Rule 158 of the Rules and Regulations, an earnings statement (which need not be audited but shall be in reasonable detail) for a period of twelve (12) months ended commencing after the effective date, and satisfying the provisions of Section 11(a) of the Act (including Rule 158 of the Rules and Regulations).

(k) *Consideration; Payment of Expenses.* In consideration of the services to be provided for hereunder, the Underwriters or their respective designees their pro rata portion (based on the Securities purchased) of the following compensation with respect to the Securities they are offering:

(i) An underwriting discount equal to seven percent (7%) of the aggregate gross proceeds raised in the Offering; and

(ii) The Representative's Warrants.

(iii) Additionally, the Company grants the Representative the right of first refusal for a period of twelve (12) months from the effective date of the Registration Statement to act as lead managing underwriter and sole book runner (or minimally as a co-lead manager and co-book runner and/or co-lead placement agent with at least 80% of the economics) for any and all future public or private equity, equity-linked or debt offerings (excluding commercial bank debt) undertaken by the Company, its Subsidiary(ies), or any successor thereto. The Company shall provide written notice to the Representative with the terms of such offering and if the Representative fails to accept in writing any such proposal within twenty (20) days after receipt of such written notice, then the Representative will have no claim or right with respect to any such offering(s).

(iv) The Representative reserves the right to reduce any item of compensation or adjust the terms thereof as specified herein in the event that a determination shall be made by FINRA to the effect that the Underwriters' aggregate compensation is in excess of FINRA rules or that the terms thereof require adjustment.

(v) Whether or not the transactions contemplated by this Agreement, the Registration Statement and the Prospectus are consummated or this Agreement is terminated, the Company hereby agrees to pay the following:

(1) all expenses in connection with the preparation, printing, formatting for EDGAR and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and any and all exhibits, amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers;

(2) all filing fees in connection with filings with FINRA's Public Offering System;

(3) all fees, disbursements and expenses of the Company's counsel, accountants and other agents and representatives in connection with the registration of the Securities under the Act and the Offering;

(4) all expenses in connection with the qualifications of the Securities for offering and sale under state or foreign securities or blue sky laws (including, without limitation, all filing and registration fees, and the fees and disbursements of Underwriters' counsel;

(5) all fees and expenses in connection with listing the Securities on a national securities exchange;

(6) all expenses, including travel and lodging expenses, of the Company's officers, directors and employees and any other expense of the Company incurred in connection with attending or hosting meetings with prospective purchasers of the Securities and any fees and expenses associated with the i-Deal system and NetRoadshow;

(7) any stock transfer taxes or other taxes incurred in connection with this Agreement or the offering, including any stock transfer taxes payable upon the transfer of securities to the Underwriters;

(8) the costs associated with preparing, printing and delivering certificates representing the Securities;

(9) the cost and charges of any transfer agent or registrar for the Securities;

(10) (subject to the following proviso, other costs (including Underwriters' counsel's fees and expenses) and expenses incident to the Offering that are not otherwise specifically provided for in this Section 4(k);

(11) costs relating to background checks of the Company's officers and directors, up to \$15,000 in the aggregate;

provided, however, that all such costs and expenses (including Underwriters' counsel's fees and expenses) that are incurred by the Underwriters shall not exceed \$125,000 in the aggregate.

(l) *Reimbursement of Expenses upon Termination of Agreement.* If this Agreement shall be terminated by the Company pursuant to any of the provisions hereof or if for any reason the Company shall be unable to perform its obligations or to fulfill any conditions hereunder, or if the Underwriters shall terminate this Agreement pursuant to the last paragraph of Section 5, Section 7(a), Section 7(e) or Section 7(f), the Company shall reimburse the Underwriters for all out-of-pocket expenses (including the reasonable fees, disbursements and other charges of counsel to the Underwriter) actually incurred by the Underwriters in connection herewith and as allowed under FINRA Rule 5110; *provided, however*, that the maximum amount of costs and expenses to be reimbursed by Company to the Underwriters pursuant to this Section 4(l) shall not exceed \$125,000 (including the reasonable fees, disbursements and other charges of counsel to the Underwriters). The Company has paid \$5,000 to the Underwriters as an advance to be applied towards reasonable out-of-pocket accountable expenses (the "Advance"). Any portion of the Advance shall be returned back to the Company to the extent not actually incurred.

(m) *No Stabilization or Manipulation.* The Company shall not at any time, directly or indirectly, take any action intended to cause or result in, or which might reasonably be expected to cause or result in, or which will constitute, stabilization or manipulation, under the Act or otherwise, of the price of the Shares or the Securities to facilitate the sale or resale of any of the Securities.

(n) *Use of Proceeds.* The Company shall apply the net proceeds from the offering and sale of the Securities to be sold by the Company in the manner set forth in the General Disclosure Package and the Prospectus under "Use of Proceeds" and shall file such reports with the Commission with respect to the sale of the Securities and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.

(o) *Lock-Up Agreements of Company, Management and Affiliates.* The Company shall not, for a period of one hundred and eighty (180) days after the Closing Date (the "Lock-Up Period"), without the prior written consent of Maxim (which consent may be withheld in its sole discretion), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Act to register, any shares of common stock, warrants, or any securities convertible into or exercisable or exchangeable for common stock or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic benefits or risks of ownership of shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, or publicly disclose the intention to enter into any transaction described in clause (1) or (2) above. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of common stock issued pursuant to a trading plan established prior to July 1, 2018 pursuant to Rule 10b5-1 of the Exchange Act, and (C) the issuance of Common Stock upon the exercise of warrants as disclosed as outstanding in the Registration Statement, the General Disclosure Package or the Prospectus, provided that such warrants have not been amended since the date of this Agreement to increase the number of such warrants or warrant shares or to decrease the exercise price of such warrants or to extend the term of such warrants. The Company has caused each of its officers and directors and certain shareholders of five percent (5%) or more of the outstanding Common Stock of the Company (other than Golden Properties, Ltd. and/or Alex Lau, the control person of Golden Properties, Ltd.) to enter into agreements with the Representative in the form set forth in Annex II.

(p) *Lock-Up Releases.* If Maxim, in its sole discretion, agrees to release or waive the restrictions set forth in a lock-up letter described in Section 4(o) hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Annex III hereto through a major news service at least two business days before the effective date of such release or waiver, or any other method that satisfies the obligations described in FINRA Rule 5131(d)(2) at least two business days before the effective date of the release or waiver.

(q) *NASDAQ listing*. The Company will use its reasonable best efforts to effect and maintain the listing of the common stock on the NASDAQ Capital Market for at least three (3) years after the Closing Date.

(r) *Accountants*. Upon conclusion of the Offering, the Company will continue the engagement of the Accountants for no less than three (3) years from the Closing Date, or another nationally recognized, PCAOB-registered mutually acceptable to the Company's audit committee and the Representative.

(s) *Resales of Representative's Securities*. The Company shall use its best efforts to maintain the effectiveness of the Registration Statement and a current Prospectus relating thereto for as long as the Warrants and the Representative's Warrants remain outstanding. During any period when the Company fails to have maintained an effective Registration Statement or a current Prospectus relating thereto and a holder of a Representative's Warrant desires to exercise such warrant and, in the opinion of counsel to the holder, Rule 144 is not available as an exemption from registration for the resale of the shares of Common Stock underlying such warrant (such shares, the "Warrant Shares"), the Company shall immediately file a registration statement registering the resale of the Warrant Shares and use its best efforts to have it declared effective by the Commission within thirty (30) days.

(t) *Key Person Insurance*. The Company has obtained and will use its good faith best efforts to maintain its key person life insurance in the amount of \$[] on the life of [] in full force and effect for a period of three (3) years from the Closing Date. The Company is and shall be the sole beneficiary of such policy.

(u) *Public Relations Firm*. Upon conclusion of the Offering, the Company will engage (for no less than two (2) years from the Closing Date) a financial public relations firm mutually acceptable to the Company and the Representative.

(v) *Transfer Agent*. The Company has or will retain a transfer agent reasonably acceptable to the Representative for the Shares and shall continue to retain such transfer agent for a period of three (3) years following the Closing Date.

5. Conditions of the Obligations of the Underwriters. The obligation of the Underwriters to purchase the Firm Securities on the Closing Date or the Option Securities on the Option Closing Date, as the case may be, as provided herein is subject to the accuracy of the representations and warranties of the Company, the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Post Effective Amendments and Prospectus Filings*. Notification that the Registration Statement has become effective shall be received by the Representative not later than 4:30 p.m., New York City time, on the date of this Agreement or at such later date and time as shall be consented to in writing by the Representative and all filings made pursuant to Rules 424, 430A, or 430B of the Rules and Regulations, as applicable, shall have been made or will be made prior to the Closing Date in accordance with all such applicable rules.

(b) *No Stop Orders, Requests for Information and No Amendments.* (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall be pending or are, to the knowledge of the Company, threatened by the Commission, (ii) no order suspending the qualification or registration of the Securities under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending before or threatened or contemplated by the authorities of any such jurisdiction, (iii) any request for additional information on the part of the staff of the Commission or any such authorities shall have been complied with to the satisfaction of the staff of the Commission or such authorities and (iv) after the date hereof no amendment or supplement to the Registration Statement or the Prospectus shall have been filed unless a copy thereof was first submitted to the Representative and the Representative did not object thereto in good faith, and the Representative shall have received certificates, dated the Closing Date and the Option Closing Date and signed by the Chief Executive Officer or the Chairman of the Board of Directors and the Chief Financial Officer of the Company in their capacities as such, and not individually, (who may, as to proceedings threatened, certify to their knowledge), to the effect of clauses (i), (ii) and (iii).

(c) *No Material Adverse Changes.* Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus (i) there shall not have been a Material Adverse Change, (ii) the Company shall not have incurred any material liabilities or obligations, direct or contingent, (iii) the Company shall not have entered into any material transactions not in the ordinary course of business other than pursuant to this Agreement and the transactions referred to herein, (iv) the Company shall not have issued any securities (other than the Securities or the Shares issued in the ordinary course of business pursuant to existing employee benefit plans of the Company referred to in the Registration Statement, General Disclosure Package and the Prospectus) or declared or paid any dividend or made any distribution in respect of its capital stock of any class or debt (long-term or short-term), and (v) no material amount of the assets of the Company shall have been pledged, mortgaged or otherwise encumbered.

(d) *No Actions, Suits or Proceedings.* Since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, there shall have been no actions, suits or proceedings instituted, or to the Company's knowledge, threatened against or affecting, the Company or its subsidiaries or any of their respective officers in their capacity as such, before or by any federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign.

(e) *All Representations True and Correct and All Conditions Fulfilled.* Each of the representations and warranties of the Company contained herein shall be true and correct as of the date of the Agreement and at the Closing Date as if made at the Closing Date and any Option Closing Date, as the case may be, and all covenants and agreements contained herein to be performed by the Company and all conditions contained herein to be fulfilled or complied with by the Company at or prior to the Closing Date and any Option Closing Date, shall have been duly performed, fulfilled or complied with.

(f) *Opinions of Counsel to the Company.* The Underwriters shall have received the opinion, dated the Closing Date and any Option Closing Date, as the case may be, reasonably satisfactory in form and substance to the Representative and counsel for the Underwriters, from the Law Office of Clifford J. Hunt, P.A., as corporate/securities counsel.

(g) *Accountants' Comfort Letter.* On the date of the Prospectus, the Representative shall have received from the Accountants a letter dated the date of its delivery, addressed to the Underwriters, in form and substance reasonably satisfactory to the Representative and counsel to the Underwriters, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement and the Prospectus. At the Closing Date and any Option Closing Date, as the case may be, the Representative shall have received from the Accountants a letter dated such date, in form and substance reasonably satisfactory to the Representative and counsel to the Underwriters, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to the preceding sentence and have conducted additional procedures with respect to certain financial figures included in the Prospectus, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the Closing Date or any Option Closing Date, as the case may be.

(h) *Officers' Certificates.* At the Closing Date and any Option Closing Date, there shall be furnished to the Representative an accurate certificate, dated the date of its delivery, signed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, in their capacities as such, and not individually, in form and substance satisfactory to the Representative and counsel to the Underwriters, to the effect that:

- (i) each signer of such certificate has carefully examined the Registration Statement and the Prospectus;
- (ii) there has not been a Material Adverse Change; and
- (iii) with respect to the matters set forth in Sections 5(b)(i) and 5(e).

(i) *Transfer Agent's Certificate.* The Company's transfer agent shall have furnished or caused to be furnished to the Representative a certificate satisfactory to the Representative of one of its authorized officers with respect to the issuance of the and such other customary matters related thereto as the Representative may reasonably request.

(j) *Eligible for DTC Clearance.* At or prior to the Closing Date and each Option Closing Date, the Shares shall be eligible for clearance and settlement through the facilities of the DTC.

(k) *Lock-Up Agreements.* At the date of this Agreement, the Representative shall have received the executed "lock-up" agreements referred to in Section 4(o) hereof from the Company's officers and directors.

(l) *Compliance with Blue Sky Laws.* The Securities shall be qualified for sale in such states and jurisdictions as the Representative may reasonably request, including, without limitation, qualification for exemption from registration or prospectus delivery requirements in the provinces and territories of Canada and other jurisdictions outside the United States, and each such qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date and the Option Closing Date.

(m) *Stock Exchange Listing.* The Shares shall have been duly authorized for listing on the NASDAQ Capital Market, subject to official notice of issuance.

(n) *Exchange Act Registration.* One or more registration statements in respect of the Shares have been filed on Form 8-A pursuant to Section 12(b) of the Exchange Act, each of which registration statement complies in all material respects with the Exchange Act.

(o) *Good Standing.* At the Closing Date and any Option Closing Date, the Company shall have furnished to the Representative satisfactory evidence of the good standing of the Company and its subsidiaries Quest Energy Inc., McCoy Elkhorn Coal LLC, Deane Mining LLC, Knott County Coal LLC, Wyoming County Coal LLC, ERC Mining Indiana Corp. and Quest Processing LLC, in their respective jurisdictions of organization (to the extent the concept of "good standing" or such equivalent concept exists under the laws of the applicable jurisdictions) and their good standing as foreign entities in such other jurisdictions as the Representative may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions. If the applicable jurisdiction does not have a concept of "good standing," the Company will furnish evidence in writing or any standard form of telecommunication from the appropriate governmental authorities that the relevant company was duly incorporated and remains duly registered in the jurisdiction of its incorporation.

(p) *Company Certificates.* The Company shall have furnished to the Representative such certificates, in addition to those specifically mentioned herein, as the Representative may have reasonably requested as to the accuracy and completeness at the Closing Date and any Option Closing Date of any statement in the Registration Statement, the General Disclosure Package or the Prospectus, as to the accuracy at the Closing Date and any Option Closing Date of the representations and warranties of the Company herein, as to the performance by the Company of its obligations hereunder, or as to the fulfillment of the conditions concurrent and precedent to the obligations hereunder of the Underwriters.

(q) *No Objection.* FINRA has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements relating to the offering of the Securities.

If any of the conditions hereinabove provided for in this Section 5 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representative by notifying the Company of such termination in writing at or prior to the Closing Date or any Option Closing Date, as the case may be.

6. Indemnification.

(a) *Indemnification of the Underwriters.* The Company shall indemnify and hold harmless each Underwriter, its affiliates, the directors, officers, employees and agents of such Underwriter and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, liabilities, expenses and damages (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding between any of the indemnified parties and any indemnifying parties or between any indemnified party and any third party, or otherwise, or any claim asserted), to which they, or any of them, may become subject under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to Rules 430A and 430B of the Rules and Regulations, as applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, any preliminary prospectus supplement, any Issuer Free Writing Prospectus or the Prospectus (or any amendment or supplement to any of the foregoing) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iii) any untrue statement or alleged untrue statement of a material fact contained in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Securities, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically) (collectively, Marketing Materials") or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iv) in whole or in part any inaccuracy in any material respect in the representations and warranties of the Company contained herein; *provided, however*, that the Company shall not be liable to the extent that such loss, claim, liability, expense or damage is based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with Underwriters' Information. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) *Indemnification of the Company.* Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Company, its affiliates, the directors, officers, employees and agents of the Company and each other person or entity, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, against any losses, liabilities, claims, damages and expenses whatsoever, as incurred (including but not limited to reasonable attorneys' fees and any and all reasonable expenses whatsoever, incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement at the time of effectiveness and at any subsequent time pursuant to Rules 430A and 430B of the Rules and Regulations, any Preliminary Prospectus, the Prospectus, or any amendment or supplement to any of them, 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, in each case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense (or action in respect thereof) arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon the Underwriters' Information; provided, however, that in no case shall any Underwriter be liable or responsible for any amount in excess of the underwriting discount and commissions applicable to the Securities purchased by such Underwriter hereunder. The parties agree that such information provided by or on behalf of the Underwriters through the Representative consists solely of the material referred to in the last sentence of Section 3(c) hereof.

(c) *Indemnification Procedures.* Any party that proposes to assert the right to be indemnified under this Section 6 shall, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 6, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party shall not relieve the indemnifying party from any liability that it may have to any indemnified party under the foregoing provisions of this Section 6 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable out-of-pocket costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by one of the indemnifying parties in connection with the defense of such action, (ii) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) the indemnified party has reasonably concluded that a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party), (iv) the indemnifying party does not diligently defend the action after assumption of the defense, or (v) the indemnifying party has not in fact employed counsel satisfactory to the indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel shall be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges shall be reimbursed by the indemnifying party promptly as they are incurred. An indemnifying party shall not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld or delayed). No indemnifying party shall, without the prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated by this Section 6 (whether or not any indemnified party is a party thereto), unless (x) such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising or that may arise out of such claim, action or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party, and (y) the indemnifying party confirms in writing its indemnification obligations hereunder with respect to such settlement, compromise or judgment. Notwithstanding the foregoing, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a) effected without its written consent if (A) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (B) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(d) *Contribution.* In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 6 is applicable in accordance with its terms but for any reason is held to be unavailable, the Company and the Underwriters shall contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Underwriters, such as persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company, who may also be liable for contribution), to which the Company and the Underwriter may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities pursuant to this Agreement. The relative benefits received by the Company and the Underwriters shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of underwriting discount and commissions but before deducting expenses) received by the Company bears to (y) the underwriting discount and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 6(d) were to be determined by pro rata allocation or by any other method of allocation (even if the Underwriters were treated as one entity for such purpose) which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 6(d) shall be deemed to include, for purpose of this Section 6(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6(d), no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions received by it. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 6(d), any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, and each director, officer, employee, counsel or agent of an Underwriter will have the same rights to contribution as such Underwriter, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 6(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 6(d). The obligations of the Underwriters to contribute pursuant to this Section 6(d) are several in proportion to the respective number of Securities to be purchased by each of the Underwriters hereunder and not joint. No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

(e) *Survival*. The indemnity and contribution agreements contained in this Section 6 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or any controlling Person thereof, (ii) acceptance of any of the Securities and payment therefor or (iii) any termination of this Agreement.

7. Termination. The obligations of the Underwriters under this Agreement may be terminated at any time prior to the Closing Date (or, with respect to the Option Securities, on or prior to the Option Closing Date), by notice to the Company from the Representative, without liability on the part of the Underwriters to the Company, if, prior to delivery and payment for the Firm Securities (or the Option Securities, as the case may be), in the sole judgment of the Representative, any of the following shall occur:

(a) trading or quotation in any of the equity securities of the Company shall have been suspended or limited by the Commission, The Nasdaq Stock Market or by an exchange or otherwise;

(b) trading in securities generally on the New York Stock Exchange, the NYSE MKT, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by such exchange or by order of the Commission or any court or other governmental authority;

(c) a general banking moratorium shall have been declared by any of U.S. federal, New York authorities;

(d) the United States shall have become engaged in new hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), or any other calamity or crisis shall have occurred, the effect of any of which is such as to make it impracticable or inadvisable to market the Securities on the terms and in the manner contemplated by the Prospectus;

(e) the Company shall have sustained a loss material or substantial to the Company by reason of flood, fire, accident, hurricane, earthquake, theft, sabotage, or other calamity or malicious act, whether or not such loss shall have been insured, the effect of any of which is such as to make it impracticable or inadvisable to market the Securities on the terms and in the manner contemplated by the Prospectus; or

(f) there shall have been a Material Adverse Change.

8. Underwriter Default.

(a) If any Underwriter or Underwriters shall default in its or their obligation to purchase Firm Securities hereunder, and if the Securities with respect to which such default relates (the "Default Securities") do not (after giving effect to arrangements, if any, made by the Representative pursuant to subsection (b) below) exceed in the aggregate 10% of the number of the Firm Securities, each non-defaulting Underwriter, acting severally and not jointly, agrees to purchase from the Company that number of Default Securities that bears the same proportion to the total number of Default Securities then being purchased as the number of Firm Securities set forth opposite the name of such Underwriter on Schedule A hereto bears to the aggregate number of Firm Securities set forth opposite the names of the non-defaulting Underwriters; subject, however, to such adjustments to eliminate fractional shares as the Representative in its discretion shall make.

(b) In the event that the aggregate number of Default Securities exceeds 10% of the number of Firm Securities, the Representatives may in their discretion arrange for themselves or for another party or parties (including any non-defaulting Underwriter or Underwriters who so agree) to purchase the Default Securities on the terms contained herein. In the event that within five (5) calendar days after such a default the Representative does not arrange for the purchase of the Default Securities as provided in this Section 8, this Agreement shall thereupon terminate, without liability on the part of the Company with respect thereto (except in each case as provided in Sections 4(k), 6 and 8) or the Underwriters, but nothing in this Agreement shall relieve a defaulting Underwriter or Underwriters of its or their liability, if any, to the other Underwriters and the Company for damages occasioned by its or their default hereunder.

(c) In the event that any Default Securities are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties as aforesaid, the Representatives or the Company shall have the right to postpone the Closing Date for a period, not exceeding five (5) Business Days, in order to effect whatever changes may thereby be necessary in the Registration Statement or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment or supplement to the Registration Statement or the Prospectus which, in the reasonable opinion of Underwriters' Counsel, may be necessary or advisable. The term "Underwriter" as used in this Agreement shall include any party substituted under this Section 8 with like effect as if it had originally been a party to this Agreement with respect to such Firm Securities.

9. Miscellaneous.

(a) *Notices.* Notice given pursuant to any of the provisions of this Agreement shall be in writing and, unless otherwise specified, shall be mailed, hand delivered or telecopied (a) if to the Company, at the office of the Company, 9002 Technology Lane, Fishers, IN 46038, telecopy number: [____], Attention: Chief Executive Officer, or (b) if to the Representative or any Underwriter, to Maxim Group LLC, 405 Lexington Avenue, New York, New York 100174, Attention: Legal Department, telecopy number: (212) 895-3555. Any such notice shall be effective only upon receipt. Any notice under Section 6 hereof may be made by telecopy or telephone, but if so made shall be subsequently confirmed in writing.

(b) *No Third Party Beneficiaries.* This Agreement has been and is made solely for the benefit of the Underwriters, the Company and, with respect to Section 6, the controlling persons, directors, officers, employees, counsel and agents referred to in Section 6 hereof, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" as used in this Agreement shall not include a purchaser of Securities from any Underwriter in his, her or its capacity as such a purchaser, as such purchaser of Securities from such Underwriter.

(c) *Survival of Representations and Warranties.* All representations, warranties and agreements of the Company contained herein or in certificates or other instruments delivered pursuant hereto shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters or any of their controlling persons and shall survive delivery of and payment for the Securities hereunder.

(d) *Disclaimer of Fiduciary Relationship.* The Company acknowledges and agrees that (i) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the public offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the Underwriters, on the other hand, (ii) in connection with the Offering contemplated by this Agreement and the process leading to such transaction, the Underwriters are and have been acting pursuant to a contractual relationship created solely by this Agreement and are not agents or fiduciaries of the Company or its securityholders, creditors, employees or any other party, (iii) no Underwriter has assumed nor will it assume any advisory or fiduciary responsibility in favor of the Company with respect to the offering of the Securities contemplated by this Agreement or the process leading thereto (irrespective of whether such Underwriter or its affiliates has advised or is currently advising the Company on other matters) and each such Underwriter has no obligation to the Company with respect to the offering of the Securities contemplated by this Agreement except the obligations expressly set forth in this Agreement, (iv) the Underwriters and their affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (v) no Underwriter has provided any legal, accounting, regulatory or tax advice with respect to the Offering contemplated by this Agreement and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

(e) *Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

(f) *Submission to Jurisdiction.* The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or United States federal court sitting in The City of New York, Borough of Manhattan, over any suit, action or proceeding arising out of or relating to this Agreement, the Disclosure Package, the Prospectus, the Registration Statement, or the offering of the Securities. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity (on the grounds of sovereignty or otherwise) from the jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives, to the fullest extent permitted by law, such immunity in respect of any such suit, action or proceeding including without limitation, any immunity pursuant to the U.S. Foreign Sovereign Immunities Act of 1976, as amended. Each of the Underwriters and the Company further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York and agrees that service of process upon the Company mailed by certified mail or delivered by Federal Express via overnight delivery to the Company's address shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding, and service of process upon an Underwriter mailed by certified mail or delivered by Federal Express via overnight delivery to the Underwriters' address shall be deemed in every respect effective service of process upon such Underwriter in any such suit, action or proceeding.

(g) *Judgment Currency.* If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder into any currency other than United States dollars, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Underwriters could purchase United States dollars with such other currency in The City of New York on the business day preceding that on which final judgment is given. The obligation of the Company with respect to any sum due from it to an Underwriter or any person controlling such Underwriter shall, notwithstanding any judgment in a currency other than United States dollars, not be discharged until the first business day following receipt by such Underwriter or controlling person of any sum in such other currency, and only to the extent that such Underwriter or controlling person may in accordance with normal banking procedures purchase United States dollars with such other currency. If the United States dollars so purchased are less than the sum originally due to such Underwriter or controlling person hereunder, the Company agrees as a separate obligation and notwithstanding any such judgment, to indemnify such Underwriter or controlling person against such loss. If the United States dollars so purchased are greater than the sum originally due to such Underwriter or controlling person hereunder, such Underwriter or controlling person agrees to pay to the Company an amount equal to the excess of the dollars so purchased over the sum originally due to such Underwriter or controlling person hereunder.

(h) *Counterparts.* This Agreement may be signed in two or more counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

(i) *Survival of Provisions Upon Invalidity of Any Single Provision.* In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(j) *Waiver of Jury Trial.* The Company and each Underwriter each hereby irrevocably waive any right they may have to a trial by jury in respect of any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

(k) *Titles and Subtitles.* The titles of the sections and subsections of this Agreement are for convenience and reference only and are not to be considered in construing this Agreement.

(l) *Entire Agreement.* This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement may not be amended or otherwise modified or any provision hereof waived except by an instrument in writing signed by the parties hereto.

[Signature page follows]

Very truly yours,
AMERICAN RESOURCES CORPORATION.

By:

Name:
Title:

Accepted as of the date hereof:

MAXIM GROUP LLC

By: _____

Name: Clifford A. Teller
Title: Executive Managing Director
Head of Investment Banking

SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Maxim Group LLC		

SCHEDULE II

Free Writing Prospectuses

Opinion of Counsel

- (1) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and to enter into and perform its obligations under the Underwriting Agreement;
- (2) The Shares to be issued and sold by the Company to the Underwriters pursuant to the Underwriting Agreement have been duly and validly authorized and, when issued and delivered to and paid for by the Underwriters in accordance with the terms of the Underwriting Agreement, will be duly and validly issued and fully paid and non-assessable and will conform to the descriptions thereof contained in the Registration Statement, the General Disclosure Package and the Prospectus; and the issuance of such Shares is not subject to any preemptive or similar rights;
- (3) The Underwriting Agreement has been duly authorized, executed and delivered by the Company and the Company has all the requisite corporate power and authority to enter into the Underwriting Agreement and to perform its obligations thereunder;
- (4) The issue and sale of the Shares to be sold by the Company pursuant to the Underwriting Agreement, the execution of the Underwriting Agreement by the Company and the compliance by the Company with all of the provisions of the Underwriting Agreement and the consummation of the transactions therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries is bound or to which any of the property or assets of the Company or any of the Subsidiaries is subject, nor will such action result in any violation of the provisions of the certificate of incorporation or by-laws of the Company or, to our knowledge, any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their properties; and, to our knowledge, no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares to be sold by the Company to the Underwriters pursuant to the Underwriting Agreement or the consummation by the Company of the transactions contemplated by the Underwriting Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters, as to which we express no opinion;

- (5) Other than as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, to our knowledge, there are no legal or governmental proceedings pending to which the Company or any of the Subsidiaries is a party or of which any property of the Company or any of the Subsidiaries is the subject which, if determined adversely to the Company or any of the Subsidiaries, individually or in the aggregate, would have or would reasonably be expected to have a material adverse effect on the general affairs, business, prospects, management, financial position, shareholders' equity or results of operations of the Company and the Subsidiaries, considered as one enterprise, or would prevent or impair the consummation of the transactions contemplated by the Underwriting Agreement, or which are required to be described in the Registration Statement, the General Disclosure Package and the Prospectus; and, to our knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;
- (6) The Company is not and, after giving effect to the offering and sale of the Shares as contemplated herein and the application of the net proceeds therefrom as described in the Registration Statement, the General Disclosure Package and the Prospectus, will not be an "investment company", as such term is defined in the Investment Company Act of 1940;
- (7) The Registration Statement, including any Rule 462(b) Registration Statement, has been declared effective under the Act; any required filing of the Prospectus pursuant to Rule 424(b) under the Act has been made in the manner and within the time period required by Rule 424(b); all material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433 under the Act; and no stop order suspending the effectiveness or use of the Registration Statement, the General Disclosure Package and the Prospectus has been issued under the Act and no proceedings for that purpose have been instituted or are pending or, to our knowledge, threatened by the Commission;
- (8) To our knowledge, there are no statutes or regulations that are required to be described in the Registration Statement, the General Disclosure Package and the Prospectus that are not described as required;
- (9) The Common Stock has been approved for listing on The NASDAQ Capital Market, subject to official notice of issuance;
- (10) The Registration Statement, the General Disclosure Package and the Prospectus and any further amendments and supplements thereto made by the Company (other than the financial statements, related schedules and other financial data therein, as to which we do not express an opinion), comply as to form in all material respects with the requirements of the Act and the Rules and Regulations; and we do not know of any amendment to the Registration Statement, the General Disclosure Package and the Prospectus required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be described in the Registration Statement, the General Disclosure Package and the Prospectus which are not filed or described as required; and

(11) To our knowledge, except as disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to shares of Common Stock or other securities to include such shares of Common Stock or other securities as part of the offering contemplated hereby.

In addition, although we are not passing upon and do not assume any responsibility for nor have we independently verified, the accuracy, completeness or fairness of the statements contained in the Registration Statement, the General Disclosure Package and the Prospectus, in connection with the preparation of the Registration Statement, the General Disclosure Package and the Prospectus, we have participated in conferences with representatives and counsel of the Representative and with certain officers and employees of, and independent certified public accountants for, the Company, at which conferences the contents of the Registration Statement, the General Disclosure Package and the Prospectus and related matters were discussed, and we advise the Underwriters that nothing has come to our attention that would lead us to believe that:

- as of its effective date, the Registration Statement (other than the financial statements, related schedules and other financial data therein, as to which we do express no opinion), contained an untrue statement of a material fact required to be stated therein or necessary to make the statements therein not misleading, or that,
- as of the Applicable Time, the General Disclosure Package (other than the financial statements, related schedules and other financial and statistical data therein, as to which express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or that
- as of its date or as of the Closing Date, the Prospectus (other than the financial statements, related schedules and other financial data therein, as to which we express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Form of Lock-Up Agreement

February __, 2019

Maxim Group LLC
405 Lexington Avenue
New York, NY 10174

Ladies and Gentlemen:

The undersigned understands that Maxim Group LLC ("**Maxim**" or the "**Underwriter**") proposes to enter into an Underwriting Agreement (the "**Underwriting Agreement**") with American Resources Corporation, a Florida corporation (the "**Company**"), providing for the public offering (the "**Public Offering**") by the Underwriter of Shares (the "**Shares**") of the Company's Class A common stock, par value \$0.0001 per share (the "**Common Stock**").

To induce the underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Maxim, he or she will not, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "**Prospectus**") (the "**Lock-Up Period**"), sell, offer, agree to sell, contract to sell, hypothecate, pledge, grant any option to purchase, make any short sale of, or otherwise dispose of or hedge, directly or indirectly, any shares of Common Stock, or any securities convertible into or exercisable or exchangeable for shares of Common Stock, whether any such transaction described above is to be settled by delivery of shares of Common Stock, in cash or otherwise. The foregoing sentence shall not apply to (a) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering, (b) transfers of shares of Common Stock or securities convertible into or exercisable or exchangeable for shares of Common Stock to (i) the spouse or any lineal descendant of the undersigned, (ii) any trust for the benefit of the undersigned or the spouse or lineal descendant of the undersigned (or by gift to a charitable organization), (iii) the estate of the undersigned, or (iv) any affiliate of the undersigned; *provided* that in the case of any transfer or distribution pursuant to clause(b), each donee or distributee shall sign and deliver a lock-up agreement substantially in the form of this agreement. In addition, the undersigned agrees that, without the prior written consent of Maxim, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

No provision in this agreement shall be deemed to restrict or prohibit the exercise or exchange by the undersigned of any option or warrant to acquire shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock; *provided that* the undersigned does not transfer the shares of Common Stock acquired on such exercise or exchange during the Lock-Up Period, unless otherwise permitted pursuant to the terms of this agreement. In addition, no provision herein shall be deemed to restrict or prohibit the entry into or modification of a so-called "10b5-1" plan at any time (other than the entry into or modification of such a plan in such a manner as to cause the sale of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock within the Lock-Up Period).

The undersigned understands that the Company and the Underwriter are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

The undersigned understands that, if the Underwriting Agreement is not executed, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares to be sold thereunder, the undersigned shall be released from all obligations under this letter agreement.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriter.

Very truly yours,

Form of Press Release

[]
[Date]

American Resources Corporation, a Delaware corporation (the “Company”), announced today that Maxim Group LLC, the lead book-running manager in the Company’s recent public sale of common stock, is [waiving][releasing] a lock-up restriction with respect to [] of the Company’s Shares held by [certain officers or directors][an officer or director] of the Company. The [waiver][release] will take effect on [], and the Shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

AGREEMENT AND PLAN OF MERGER

By and Among

AMERICAN RESOURCES CORPORATION,

and

EMPIRE KENTUCKY LAND, INC.

Dated as of February 12, 2019

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement"), dated the 12 day of February, 2019, is by and among **AMERICAN RESOURCES CORPORATION**, a Florida corporation ("American Resources"), and **EMPIRE KENTUCKY LAND, INC.**, a Kentucky corporation ("Company"). Capitalized terms used herein (including in the immediately preceding sentence) and not otherwise defined herein shall have the meanings set forth in Appendix A hereof.

WHEREAS, the parties intend for American Resources to acquire the Company, on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, in furtherance of such acquisition of the Company by American Resources, and on the terms and subject to the conditions set forth in this Agreement, Company shall be merged with and into American Resources (the "Merger"), with American Resources surviving the Merger and each outstanding share of the Company's common stock, no par value (the "Company Common Stock") (other than the Cancelled Shares and the Dissenting Shares) shall be converted into the right to receive the Merger Consideration;

WHEREAS, the Board of Directors of the Company (the "Company Board") has unanimously: (a) determined that it is in the best interests of the Company and the holders of shares of the Company Common Stock, and declared it advisable, to enter into this Agreement with American Resources; (b) approved the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Merger; and (c) resolved, subject to the terms and conditions set forth in this Agreement, to recommend adoption of this Agreement by the stockholders of the Company;

WHEREAS, the Board of Directors of American Resources (the "American Resources Board") has unanimously: (a) determined that it is in the best interests of American Resources, and its stockholders, and declared it advisable, to enter into this Agreement; and (b) approved the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Merger;

WHEREAS, the American Resources Board has resolved to recommend that the holders of shares of American Resources' common stock, par value \$0.0001 per share (the "American Resources Common Stock") approve the issuance of shares of American Resources Common Stock in connection with the Merger on the terms and subject to the conditions set forth in this Agreement (the "American Resources Stock Issuance");

WHEREAS, for U.S. federal income Tax purposes, the parties intend that the Merger qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement be, and is hereby, adopted as a plan of reorganization within the meaning of Section 368(a) of the Code; and

WHEREAS, the parties desire to make certain representations, warranties, covenants, and agreements in connection with the Merger and the other transactions contemplated by this Agreement and also to prescribe certain terms and conditions to the Merger.

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants, and agreements contained in this Agreement, the parties, intending to be legally bound, agree as follows:

1. The Merger

1.01. The Merger. On the terms and subject to the conditions set forth in this Agreement, and in accordance with the Florida Business Corporation Act ("FBCA") and the Kentucky Business Corporation Act ("KBCA"), at the Effective Time: (i) the Company will merge with and into American Resources; (ii) the separate corporate existence of the Company will cease; and (iii) American Resources will continue its corporate existence under the FBCA as the surviving corporation in the Merger.

1.02. Closing. Upon the terms and subject to the conditions set forth herein, the closing of the Merger (the "Closing") will take place at Lexington, KY, as soon as practicable (and, in any event, within three Business Days) after the satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger set forth in Section 6 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted hereunder, waiver of all such conditions), unless this Agreement has been terminated pursuant to its terms or unless another time or date is agreed to in writing by the parties hereto. The Closing shall be held at the offices of McBrayer, McGinnis, Leslie & Kirkland PLLC, 201 East Main Street, Suite 900, Lexington, Kentucky, unless another place is agreed to in writing by the parties hereto, and the actual date of the Closing is hereinafter referred to as the "Closing Date."

1.03. Effective Time. Subject to the provisions of this Agreement, on the Closing Date, the Company and American Resources will cause a certificate of merger (the "Certificate of Merger") to be executed, acknowledged, and filed with the Secretaries of State of the State of Florida and the Commonwealth of Kentucky in accordance with the relevant provisions of the FBCA and the KBCA and shall make all other filings or recordings required under the FBCA and the KBCA. The Merger will become effective at such time as the Certificate of Merger has been duly filed with the Secretaries of State of the State of Florida and the Commonwealth of Kentucky or at such later date or time as may be agreed by the Company and American Resources in writing and specified in the Certificate of Merger in accordance with the FBCA and the KBCA (the effective time of the Merger being hereinafter referred to as the "Effective Time").

1.04. Effects of the Merger. The Merger shall have the effects set in this Agreement and in the applicable provisions of the FBCA and the KBCA. Without limiting the generality of the foregoing, and subject thereto from and after the Effective Time, the effects of the Merger shall be that all property, rights, privileges, immunities, powers, franchises, licenses, and authority of the Company shall vest in American Resources, and all debts, liabilities, obligations, restrictions, and duties of the Company shall become the debts, liabilities, obligations, restrictions, and duties of American Resources.

2. Effect of the Merger on Capital Stock; Exchange of Certificates.

2.01. Effect of the Merger on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of American Resources or the Company or the holder of any capital stock of American Resources or the Company:

(a). Cancellation of Certain Company Common Stock. Each share of Company Common Stock that is owned by the Company (as treasury stock or otherwise) or any of their respective direct or indirect wholly-owned Subsidiaries as of immediately prior to the Effective Time (the "Cancelled Shares") will automatically be cancelled and retired and will cease to exist, and no consideration will be delivered in exchange therefor.

(b). Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than Cancelled Shares and Dissenting Shares) will be converted into the right to receive: (i) two thousand (2,000) (the "Exchange Ratio") shares of American Resources Common Stock (the "Merger Consideration"); and (ii) any dividends or other distributions to which the holder thereof becomes entitled to upon the surrender of such shares of Company Common Stock in accordance with Section 2.02(g).

(c). Cancellation of Shares. At the Effective Time, all shares of Company Common Stock will no longer be outstanding and all shares of Company Common Stock will be cancelled and retired and will cease to exist, and each holder of: (i) a certificate formerly representing any shares of Company Common Stock (each, a "Certificate"); or (ii) any book-entry shares which immediately prior to the Effective Time represented shares of Company Common Stock (each, a "Book-Entry Share") will, subject to applicable Law in the case of Dissenting Shares, cease to have any rights with respect thereto, except the right to receive (A) the Merger Consideration in accordance with Section 2.02 hereof, (B) any cash in lieu of fractional shares of American Resources Common Stock payable pursuant to Section 2.01(e), and (C) any dividends or other distributions to which the holder thereof becomes entitled to upon the surrender of such shares of Company Common Stock in accordance with Section 2.02(g).

(d). Intentionally omitted.

(e). Fractional Shares. No certificates or scrip representing fractional shares of American Resources Common Stock shall be issued upon the conversion of Company Common Stock pursuant to Section 2.01(b) and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a holder of shares of American Resources Common Stock. Notwithstanding any other provision of this Agreement, each holder of shares of Company Common Stock converted pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of American Resources Common Stock (after taking into account all shares of Company Common Stock exchanged by such holder) shall in lieu thereof, upon surrender of such holder's Certificates and Book-Entry Shares, receive in cash (rounded to the nearest whole cent), without interest, an amount equal to such fractional amount multiplied by the last reported sale price of American Resources Common Stock on the NASDAQ Stock Market ("Nasdaq") or OTC listing ("OTC"), as applicable, on the last complete trading day prior to the date of the Effective Time.

2.02. Exchange Procedures.

(a). Exchange Agent; Exchange Fund. Prior to the Effective Time, American Resources shall appoint an exchange agent (the "Exchange Agent") to act as the agent for the purpose of paying the Merger Consideration for the Certificates and the Book-Entry Shares. At or promptly following the Effective Time, American Resources shall deposit with the Exchange Agent: (i) certificates representing the shares of American Resources Common Stock to be issued as Merger Consideration (or make appropriate alternative arrangements if uncertificated shares of American Resources Common Stock represented by book-entry shares will be issued); and (ii) any cash sufficient to make payments in lieu of fractional shares pursuant to Section 2.01(e). In addition, American Resources shall deposit or cause to be deposited with the Exchange Agent, as necessary from time to time after the Effective Time, any dividends or other distributions, if any, to which the holders of Company Common Shares may be entitled pursuant to Section 2.02(g) for distributions or dividends, on the American Resources Common Stock to which they are entitled to pursuant to Section 2.01(b), with both a record and payment date after the Effective Time and prior to the surrender of the Company Common Shares in exchange for such American Resources Common Stock. Such cash and shares of American Resources Common Stock, together with any dividends or other distributions deposited with the Exchange Agent pursuant to this Section 2.02(a), are referred to collectively in this Agreement as the "Exchange Fund."

(b). Procedures for Surrender; No Interest. Promptly after the Effective Time, American Resources shall send, or shall cause the Exchange Agent to send, to each record holder of shares of Company Common Stock at the Effective Time, whose Company Common Stock was converted pursuant to Section 2.01(b) into the right to receive the Merger Consideration, a letter of transmittal and instructions (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the Certificates or transfer of the Book-Entry Shares to the Exchange Agent, and which letter of transmittal will be in customary form and have such other provisions as American Resources may reasonably specify) for use in such exchange. Each holder of shares of Company Common Stock that have been converted into the right to receive the Merger Consideration shall be entitled to receive the Merger Consideration into which such shares of Company Common Stock have been converted pursuant to Section 2.01(b) in respect of the Company Common Stock represented by a Certificate or Book-Entry Share, any cash in lieu of fractional shares which the holder has the right to receive pursuant to Section 2.01(e), and any dividends or other distributions pursuant to Section 2.02(g) upon: (i) surrender to the Exchange Agent of a Certificate; or (ii) receipt of an "agent's message" by the Exchange Agent (or such other evidence, if any, of transfer as the Exchange Agent may reasonably request) in the case of Book-Entry Shares; in each case, together with a duly completed and validly executed letter of transmittal and such other documents as may reasonably be requested by the Exchange Agent. No interest shall be paid or accrued upon the surrender or transfer of any Certificate or Book-Entry Share. Upon payment of the Merger Consideration pursuant to the provisions of this Section 2, each Certificate or Certificates or Book-Entry Share or Book-Entry Shares so surrendered or transferred, as the case may be, shall immediately be cancelled.

(c). Investment of Exchange Fund. Until disbursed in accordance with the terms and conditions of this Agreement, the cash in the Exchange Fund will be invested by the Exchange Agent, as directed by American Resources. No losses with respect to any investments of the Exchange Fund will affect the amounts payable to the holders of Certificates or Book-Entry Shares. Any income from investment of the Exchange Fund will be payable to American Resources on demand.

(d). Payments to Non-Registered Holders. If any portion of the Merger Consideration is to be paid to a Person other than the Person in whose name the surrendered Certificate or the transferred Book-Entry Share, as applicable, is registered, it shall be a condition to such payment that: (i) such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer or such Book-Entry Share shall be properly transferred; and (ii) the Person requesting such payment shall pay to the Exchange Agent any transfer or other Tax required as a result of such payment to a Person other than the registered holder of such Certificate or Book-Entry Share, as applicable, or establish to the reasonable satisfaction of the Exchange Agent that such Tax has been paid or is not payable.

(e). Full Satisfaction. All Merger Consideration paid upon the surrender of Certificates or transfer of Book-Entry Shares in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Company Common Stock formerly represented by such Certificate or Book-Entry Shares, and from and after the Effective Time, there shall be no further registration of transfers of shares of Company Common Stock on the stock transfer books of American Resources. If, after the Effective Time, Certificates or Book-Entry Shares are presented to American Resources, they shall be cancelled and exchanged as provided in this Section 2.

(f). Termination of Exchange Fund. Any portion of the Exchange Fund that remains unclaimed by the holders of shares of Company Common Stock six (6) months after the Effective Time shall be returned to American Resources, upon demand, and any such holder who has not exchanged shares of Company Common Stock for the Merger Consideration in accordance with this Section 2.02 prior to that time shall thereafter look only to American Resources (subject to abandoned property, escheat, or other similar Laws), as general creditors thereof, for payment of the Merger Consideration without any interest. Notwithstanding the foregoing, American Resources shall not be liable to any holder of shares of Company Common Stock for any amounts paid to a public official pursuant to applicable abandoned property, escheat, or similar Laws. Any amounts remaining unclaimed by holders of shares of Company Common Stock one (1) year after the Effective Time (or such earlier date, immediately prior to such time when the amounts would otherwise escheat to or become property of any Governmental Entity) shall become, to the extent permitted by applicable Law, the property of American Resources free and clear of any claims or interest of any Person previously entitled thereto.

(g). Distributions with Respect to Unsurrendered Shares of Company Common Stock. All shares of American Resources Common Stock to be issued pursuant to the Merger shall be deemed issued and outstanding as of the Effective Time and whenever a dividend or other distribution is declared by American Resources in respect of the American Resources Common Stock, the record date for which is after the Effective Time, that declaration shall include dividends or other distributions in respect of all shares issuable pursuant to this Agreement. No dividends or other distributions in respect of the American Resources Common Stock shall be paid to any holder of any unsurrendered Company Common Share until the Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.06) or Book-Entry Share is surrendered for exchange in accordance with this Section 2.02. Subject to the effect of applicable Laws, following such surrender, there shall be issued or paid to the holder of record of the whole shares of American Resources Common Stock issued in exchange for Company Common Shares in accordance with this Section 2.02, without interest: (i) at the time of such surrender, the dividends or other distributions with a record date after the Effective Time theretofore payable with respect to such whole shares of American Resources Common Stock and not paid; and (ii) at the appropriate payment date, the dividends or other distributions payable with respect to such whole shares of American Resources Common Stock with a record date after the Effective Time but with a payment date subsequent to surrender.

(h). Dissenting Shares Merger Consideration. Any portion of the Cash Consideration made available to the Exchange Agent in respect of any Dissenting Shares shall be returned to American Resources, upon demand.

2.03. Dissenting Shares. Notwithstanding any provision of this Agreement to the contrary, including Section 2.01, shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than Cancelled Shares) and held by a holder who has not voted in favor of adoption of this Agreement or consented thereto in writing and who is entitled to demand and has properly exercised appraisal rights of such shares in accordance with the KBCA (such shares of Company Common Stock being referred to collectively as the "Dissenting Shares" until such time as such holder fails to perfect or otherwise waives, withdraws, or loses such holder's appraisal rights under the KBCA with respect to such shares) shall not be converted into a right to receive the Merger Consideration, but instead shall be entitled to only such rights as are granted by the KBCA; *provided, however*, that if, after the Effective Time, such holder fails to perfect, waives, withdraws, or loses such holder's right to appraisal pursuant to the KBCA or if a court of competent jurisdiction shall determine that such holder is not entitled to the relief provided by the KBCA, such shares of Company Common Stock shall be treated as if they had been converted as of the Effective Time into the right to receive the Merger Consideration in accordance with Section 2.01(b), without interest thereon, upon surrender of such Certificate formerly representing such share or transfer of such Book-Entry Share, as the case may be. The Company shall provide American Resources prompt written notice of any demands received by the Company for appraisal of shares of Company Common Stock, any waiver or withdrawal of any such demand, and any other demand, notice, or instrument delivered to the Company prior to the Effective Time that relates to such demand, and American Resources shall have the opportunity and right to direct all negotiations and proceedings with respect to such demands. Except with the prior written consent of American Resources, the Company shall not make any payment with respect to, or settle, or offer to settle, any such demands.

2.04. Adjustments. Without limiting the other provisions of this Agreement, if at any time during the period between the date of this Agreement and the Effective Time, any change in the outstanding shares of capital stock of the Company or the American Resources Common Stock shall occur (other than the issuance of additional shares of capital stock of the Company or American Resources as permitted by this Agreement), including by reason of any reclassification, recapitalization, stock split (including a reverse stock split), or combination, exchange, readjustment of shares, or similar transaction, or any stock dividend or distribution paid in stock, the Exchange Ratio and any other amounts payable pursuant to this Agreement shall be appropriately adjusted to reflect such change; *provided, however*, that this sentence shall not be construed to permit American Resources or the Company to take any action with respect to its securities that is prohibited by the terms of this Agreement.

2.05. Intentionally omitted.

2.06. Lost Certificates. If any Certificate shall have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen, or destroyed and, if required by American Resources, the posting by such Person of a bond, in such reasonable amount as American Resources may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue, in exchange for such lost, stolen, or destroyed Certificate, the Merger Consideration to be paid in respect of the shares of Company Common Stock formerly represented by such Certificate as contemplated under this Section 2.

2.07. Intentionally omitted.

2.08. Tax Treatment. The Merger is intended to constitute a "reorganization" within the meaning of Section 368(a) of the Code.

3. Representations and Warranties of the Company. Except as set forth in the correspondingly numbered Section of the Disclosure Schedule that relates to such Section or in another Section of the Company Disclosure Schedule to the extent that it is reasonably apparent on the face of such disclosure that such disclosure is applicable to such Section, the Company hereby represents and warrants to American Resources as follows:

3.01. Organization; Standing and Power. The Company is a corporation, duly organized and validly existing, under the Laws of its jurisdiction of organization, and has the requisite corporate power and authority to own, lease, and operate its assets and to carry on its business as now conducted. The Company is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the assets and properties owned, leased, or operated by it or the nature of its business makes such qualification or license necessary, except where the failure to be so qualified or licensed or to be in good standing, would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

3.02. Capital Structure.

(a). Capital Stock. The authorized capital stock of the Company consists of: (i) one thousand (1,000) shares of Company Common Stock; and (ii) zero (0) shares of preferred stock of the Company (the "Company Preferred Stock"). As of the date of this Agreement: (A) 1,000 shares of Company Common Stock were issued and outstanding (not including shares held in treasury); (B) no shares of Company Common Stock were issued and held by the Company in its treasury; and (C) no shares of Company Preferred Stock were issued and outstanding or held by the Company in its treasury. All of the outstanding shares of capital stock of the Company are, and all shares of capital stock of the Company which may be issued as contemplated or permitted by this Agreement will be, when issued, duly authorized, validly issued, fully paid, and non-assessable, and not subject to any pre-emptive rights. No Subsidiary of the Company owns any shares of Company Common Stock.

(b). Stock Awards.

(i). As of the date of this Agreement, no shares of Company Common Stock were reserved for issuance pursuant to Company Equity Awards not yet granted under the Company Stock Plans.

(ii). There are no Contracts to which the Company is a party obligating the Company to accelerate the vesting of any Company Equity Award as a result of the transactions contemplated by this Agreement (whether alone or upon the occurrence of any additional or subsequent events). As of the date hereof, there are no outstanding: (A) securities of the Company or any of its Subsidiaries convertible into or exchangeable for Voting Debt or shares of capital stock of the Company; (B) options, warrants, or other agreements or commitments to acquire from the Company or any of its Subsidiaries, or obligations of the Company or any of its Subsidiaries to issue, any Voting Debt or shares of capital stock of (or securities convertible into or exchangeable for shares of capital stock of) the Company; or (C) restricted shares, restricted stock units, stock appreciation rights, performance shares, profit participation rights, contingent value rights, "phantom" stock, or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any shares of capital stock of the Company, in each case that have been issued by the Company or its Subsidiaries (the items in clauses (A), (B), and (C), together with the capital stock of the Company, being referred to collectively as "Company Securities"). All outstanding shares of Company Common Stock, all outstanding Company Equity Awards, and all outstanding shares of capital stock, voting securities, or other ownership interests in any Subsidiary of the Company, have been issued or granted, as applicable, in compliance in all material respects with all applicable securities Laws.

(iii). There are no outstanding Contracts requiring the Company or any of its Subsidiaries to repurchase, redeem, or otherwise acquire any Company Securities or Company Subsidiary Securities. Neither the Company nor any of its Subsidiaries is a party to any voting agreement with respect to any Company Securities or Company Subsidiary Securities.

(c). Voting Debt. No bonds, debentures, notes, or other indebtedness issued by the Company or any of its Subsidiaries: (i) having the right to vote on any matters on which stockholders or equity holders of the Company or any of its Subsidiaries may vote (or which is convertible into, or exchangeable for, securities having such right); or (ii) the value of which is directly based upon or derived from the capital stock, voting securities, or other ownership interests of the Company or any of its Subsidiaries, are issued or outstanding (collectively, "Voting Debt").

(d). Company Subsidiary Securities. As of the date hereof, there are no outstanding: (i) securities of the Company or any of its Subsidiaries convertible into or exchangeable for Voting Debt, capital stock, voting securities, or other ownership interests in any Subsidiary of the Company; (ii) options, warrants, or other agreements or commitments to acquire from the Company or any of its Subsidiaries, or obligations of the Company or any of its Subsidiaries to issue, any Voting Debt, capital stock, voting securities, or other ownership interests in (or securities convertible into or exchangeable for capital stock, voting securities, or other ownership interests in) any Subsidiary of the Company; or (iii) restricted shares, restricted stock units, stock appreciation rights, performance shares, profit participation rights, contingent value rights, "phantom" stock, or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any capital stock or voting securities of, or other ownership interests in, any Subsidiary of the Company, in each case that have been issued by a Subsidiary of the Company (the items in clauses (i), (ii), and (iii), together with the capital stock, voting securities, or other ownership interests of such Subsidiaries, being referred to collectively as "Company Subsidiary Securities").

3.03. Authority; Non-Contravention; Governmental Consents; Board Approval.

(a). Authority. The Company has all requisite corporate power and authority to enter into and to perform its obligations under this Agreement and, subject to, in the case of the consummation of the Merger, adoption of this Agreement by the affirmative vote or consent of the holders of a majority of the outstanding shares of Company Common Stock (the "Requisite Company Vote"), to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize the execution and delivery of this Agreement or to consummate the Merger and the other transactions contemplated hereby, subject only, in the case of consummation of the Merger, to the receipt of the Requisite Company Vote. The Requisite Company Vote is the only vote or consent of the holders of any class or series of the Company's capital stock necessary to approve and adopt this Agreement, approve the Merger, and consummate the Merger and the other transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and, assuming due execution and delivery by American Resources, constitutes the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, and other similar Laws affecting creditors' rights generally and by general principles of equity.

(b). Non-Contravention. The execution, delivery, and performance of this Agreement by the Company, and the consummation by the Company of the transactions contemplated by this Agreement, including the Merger, do not and will not: (i) subject to obtaining the Requisite Company Vote, contravene or conflict with, or result in any violation or breach of, the Charter Documents of the Company or any of its Subsidiaries; (ii) assuming that all Consents contemplated by Section 3.03(c) have been obtained or made and, in the case of the consummation of the Merger, obtaining the Requisite Company Vote, conflict with or violate any Law applicable to the Company, any of its Subsidiaries, or any of their respective properties or assets; (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the Company's or any of its Subsidiaries' loss of any benefit or the imposition of any additional payment or other liability under, or alter the rights or obligations of any third party under, or give to any third party any rights of termination, amendment, acceleration, or cancellation, or require any Consent under, any Contract to which the Company or any of its Subsidiaries is a party or otherwise bound as of the date hereof; or (iv) result in the creation of a Lien (other than Permitted Liens) on any of the properties or assets of the Company or any of its Subsidiaries, except, in the case of each of clauses (ii), (iii), and (iv), for any conflicts, violations, breaches, defaults, loss of benefits, additional payments or other liabilities, alterations, terminations, amendments, accelerations, cancellations, or Liens that, or where the failure to obtain any Consents, in each case, would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c). Governmental Consents. Except as set forth on Section 3.03(c) of the Disclosure Schedule, no consent, approval, order, or authorization of, or registration, declaration, or filing with, or notice to (any of the foregoing being a "Consent"), any supranational, national, state, municipal, local, or foreign government, any instrumentality, subdivision, court, administrative agency or commission, or other governmental authority, or any quasi-governmental or private body exercising any regulatory or other governmental or quasi-governmental authority (a "Governmental Entity") is required to be obtained or made by the Company in connection with the execution, delivery, and performance by the Company of this Agreement or the consummation by the Company of the Merger and other transactions contemplated hereby.

(d). Board Approval. The Company Board, by unanimous written consent not subsequently rescinded or modified in any way, has: (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, upon the terms and subject to the conditions set forth herein, are fair to, and in the best interests of, the Company and the Company's stockholders; (ii) approved and declared advisable this Agreement, including the execution, delivery, and performance thereof, and the consummation of the transactions contemplated by this Agreement, including the Merger, upon the terms and subject to the conditions set forth herein; (iii) directed that this Agreement be submitted to a vote of the Company's stockholders for adoption at the Company Stockholders Meeting; and (iv) resolved to recommend that Company stockholders vote in favor of adoption of this Agreement in accordance with the FBCA and the KBCA (collectively, the "Company Board Recommendation").

3.04. Intentionally omitted.

3.05. Absence of Certain Changes or Events. Since the date of the Company Balance Sheet, except in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, the business of the Company and each of its Subsidiaries has been conducted in the ordinary course of business consistent with past practice and there has not been or occurred:

(a). any Company Material Adverse Effect or any event, condition, change, or effect that could reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; or

(b). any event, condition, action, or effect that, if taken during the period from the date of this Agreement through the Effective Time, would constitute a breach of Section 5.01.

3.06. Taxes.

(a). Tax Returns and Payment of Taxes. The Company and each of its Subsidiaries have duly and timely filed or caused to be filed (taking into account any valid extensions) all material Tax Returns required to be filed by them. Such Tax Returns are true, complete, and correct in all material respects. Neither Company nor any of its Subsidiaries is currently the beneficiary of any extension of time within which to file any Tax Return other than extensions of time to file Tax Returns obtained in the ordinary course of business consistent with past practice. All material Taxes due and owing by the Company or any of its Subsidiaries (whether or not shown on any Tax Return) have been timely paid or, where payment is not yet due, the Company has made an adequate provision for such Taxes in the Company's financial statements. The Company's most recent financial statements reflect an adequate reserve for all material Taxes payable by the Company and its Subsidiaries through the date of such financial statements. Neither the Company nor any of its Subsidiaries has incurred any material Liability for Taxes since the date of the Company's most recent financial statements outside of the ordinary course of business or otherwise inconsistent with past practice.

(b). Withholding. The Company and each of its Subsidiaries have withheld and timely paid each material Tax required to have been withheld and paid in connection with amounts paid or owing to any Company Employee, creditor, customer, stockholder, or other party (including, without limitation, withholding of Taxes pursuant to Sections 1441 and 1442 of the Code or similar provisions under any state, local, and foreign Laws), and materially complied with all information reporting and backup withholding provisions of applicable Law.

(c). Liens. There are no Liens for material Taxes upon the assets of the Company or any of its Subsidiaries other than for current Taxes not yet due and payable or for Taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves has been made in the Company's most recent financial statements.

(d). Tax Deficiencies and Audits. No deficiency for any material amount of Taxes which has been proposed, asserted, or assessed in writing by any taxing authority against the Company or any of its Subsidiaries remains unpaid. There are no waivers or extensions of any statute of limitations currently in effect with respect to Taxes of the Company or any of its Subsidiaries. There are no audits, suits, proceedings, investigations, claims, examinations, or other administrative or judicial proceedings ongoing or pending with respect to any material Taxes of the Company or any of its Subsidiaries.

(e). Tax Jurisdictions. No claim has ever been made in writing by any taxing authority in a jurisdiction where the Company and its Subsidiaries do not file Tax Returns that the Company or any of its Subsidiaries is or may be subject to Tax in that jurisdiction.

(f). Tax Rulings. Neither the Company nor any of its Subsidiaries has requested or is the subject of or bound by any private letter ruling, technical advice memorandum, or similar ruling or memorandum with any taxing authority with respect to any material Taxes, nor is any such request outstanding.

3.07. Intellectual Property.

(a). Company-Owned IP. The Company has no Company-Owned IP that is the subject of any issuance, registration, certificate, application, or other filing by, to or with any Governmental Authority or authorized private registrar, including patents, patent applications, trademark registrations and pending applications for registration, copyright registrations and pending applications for registration, and internet domain name registrations.

(b). Right to Use; Title. The Company or one of its Subsidiaries is the sole and exclusive owner of all right, title, and interest in and to the Company-Owned IP, and has the valid and enforceable right to use all other Intellectual Property used in or necessary for the conduct of the business of the Company and its Subsidiaries as currently conducted and as proposed to be conducted ("Company IP"), in each case, free and clear of all Liens other than Permitted Liens, except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c). Validity and Enforceability. The Company and its Subsidiaries' rights in the Company-Owned IP are valid, subsisting, and enforceable, except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company and each of its Subsidiaries have taken reasonable steps to maintain the Company IP and to protect and preserve the confidentiality of all trade secrets included in the Company IP, except where the failure to take such actions would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d). Non-Infringement. Except as would not be reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect: (i) the conduct of the businesses of the Company and any of its Subsidiaries has not infringed, misappropriated, or otherwise violated, and is not infringing, misappropriating, or otherwise violating, any Intellectual Property of any other Person; and (ii) to the Knowledge of the Company, no third party is infringing upon, violating, or misappropriating any Company IP.

(e). IP Legal Actions and Orders. There are no Legal Actions pending or, to the Knowledge of the Company, threatened: (i) alleging any infringement, misappropriation, or violation by the Company or any of its Subsidiaries of the Intellectual Property of any Person; or (ii) challenging the validity, enforceability, or ownership of any Company-Owned IP or the Company or any of its Subsidiaries' rights with respect to any Company IP, in each case except for such Legal Actions that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company and its Subsidiaries are not subject to any outstanding Order that restricts or impairs the use of any Company-Owned IP, except where compliance with such Order would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

3.08. Compliance; Permits.

(a). Compliance. The Company and each of its Subsidiaries is in material compliance with all Laws or Orders applicable to the Company or any of its Subsidiaries or by which the Company or any of its Subsidiaries or any of their respective businesses or properties is bound. Since December 31, 2018, no Governmental Entity has issued any notice or notification stating that the Company or any of its Subsidiaries is not in compliance with any Law in any material respect.

(b). Permits. The Company and its Subsidiaries hold, to the extent necessary to operate their respective businesses as such businesses are being operated as of the date hereof, all permits, licenses, registrations, variances, clearances, consents, commissions, franchises, exemptions, orders, authorizations, and approvals from Governmental Entities (collectively, "Permits"), except for any Permits for which the failure to obtain or hold would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. No suspension, cancellation, non-renewal, or adverse modifications of any Permits of the Company or any of its Subsidiaries is pending or, to the Knowledge of the Company, threatened, except for any such suspension or cancellation which would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

3.09. Litigation. There is no Legal Action pending, or to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries or any of their respective properties or assets or, to the Knowledge of the Company, any officer or director of the Company or any of its Subsidiaries in their capacities as such. None of the Company or any of its Subsidiaries or any of their respective properties or assets is subject to any order, writ, assessment, decision, injunction, decree, ruling, or judgment ("Order") of a Governmental Entity or arbitrator, whether temporary, preliminary, or permanent, which would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

3.10. Brokers' and Finders' Fees. Neither the Company nor any of its Subsidiaries has incurred, nor will it incur, directly or indirectly, any liability for investment banker, brokerage, or finders' fees or agents' commissions, or any similar charges in connection with this Agreement or any transaction contemplated by this Agreement.

3.11. Related Person Transactions. There are no Contracts, transactions, arrangements, or understandings between the Company or any of its Subsidiaries, on the one hand, and any Affiliate (including any director, officer, or employee) thereof or any holder of 5% or more of the shares of Company Common Stock, but not including any wholly-owned Subsidiary of the Company, on the other hand.

3.12. Employee Matters. The Company has no employees and no employee benefit plans.

3.13. Real Property and Personal Property Matters.

(a). Owned Real Estate. The Company has good and marketable title to the Owned Real Estate free and clear of any Liens other than the Permitted Liens. Section 3.13(a) of the Company Disclosure Schedule contains a true and complete list of the Owned Real Estate as of the date hereof.

(b). Leased Real Estate. Section 3.13(b) of the Company Disclosure Schedule contains a true and complete list of all Leases (including all amendments, extensions, renewals, guaranties, and other agreements with respect thereto) as of the date hereof for each such Leased Real Estate (including the date and name of the parties to such Lease document). The Company has made available to American Resources a true and complete copy of each such Lease. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect or as set forth on Section 3.13(b) of the Company Disclosure Schedule, with respect to each of the Leases: (i) such Lease is legal, valid, binding, enforceable, and in full force and effect; (ii) neither the Company nor any of its Subsidiaries nor, to the Knowledge of the Company, any other party to the Lease, is in breach or default under such Lease, and no event has occurred or circumstance exists which, with or without notice, lapse of time, or both, would constitute a breach or default under such Lease; (iii) the Company's or its Subsidiary's possession and quiet enjoyment of the Leased Real Estate under such Lease has not been disturbed, and to the Knowledge of the Company, there are no disputes with respect to such Lease; and (iv) there are no Liens on the estate created by such Lease other than Permitted Liens.

(c). Real Estate Used in the Business. The Owned Real Estate identified in Section 3.13(a) of the Company Disclosure Schedule and the Leased Real Estate identified in Section 3.13(b) of the Company Disclosure Schedule comprise all of the real property of the Company or any of its Subsidiaries.

(d). Personal Property. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company and each of its Subsidiaries are in possession of and have good and marketable title to, or valid leasehold interests in or valid rights under contract to use, the machinery, equipment, furniture, fixtures, and other tangible personal property and assets owned, leased, or used by the Company or any of its Subsidiaries, free and clear of all Liens other than Permitted Liens.

3.14. Intentionally omitted.

3.15. Material Contracts.

(a). Material Contracts. For purposes of this Agreement, "Company Material Contract" shall mean the following to which the Company or any of its Subsidiaries is a party or any of the respective assets are bound (excluding any Leases):

(i). any Contract providing for indemnification or any guaranty by the Company or any Subsidiary thereof, in each case that is material to the Company and its Subsidiaries, taken as a whole, other than (A) any guaranty by the Company or a Subsidiary thereof of any of the obligations of (1) the Company or another wholly-owned Subsidiary thereof or (2) any Subsidiary (other than a wholly-owned Subsidiary) of the Company that was entered into in the ordinary course of business pursuant to or in connection with a customer Contract, or (B) any Contract providing for indemnification of customers or other Persons pursuant to Contracts entered into in the ordinary course of business;

(ii). any Contract that purports to limit in any material respect the right of the Company or any of its Subsidiaries (or, at any time after the consummation of the Merger, American Resources or any of its Subsidiaries) (A) to engage in any line of business, (B) compete with any Person or solicit any client or customer, or (C) operate in any geographical location;

(iii). any Contract relating to the disposition or acquisition, directly or indirectly (by merger, sale of stock, sale of assets, or otherwise), by the Company or any of its Subsidiaries after the date of this Agreement of assets or capital stock or other equity interests of any Person;

(iv). any Contract that grants any right of first refusal, right of first offer, or similar right with respect to any material assets, rights, or properties of the Company or any of its Subsidiaries;

(v). any Contract that contains any provision that requires the purchase of all or a material portion of the Company's or any of its Subsidiaries' requirements for a given product or service from a given third party, which product or service is material to the Company and its Subsidiaries, taken as a whole;

(vi). any Contract that obligates the Company or any of its Subsidiaries to conduct business on an exclusive or preferential basis or that contains a "most favored nation" or similar covenant with any third party or upon consummation of the Merger or Second Merger will obligate American Resources or any of its Subsidiaries to conduct business on an exclusive or preferential basis or that contains a "most favored nation" or similar covenant with any third party;

(vii). any partnership, joint venture, limited liability company agreement, or similar Contract relating to the formation, creation, operation, management, or control of any material joint venture, partnership, or limited liability company, other than any such Contract solely between the Company and its wholly-owned Subsidiaries or among the Company's wholly-owned Subsidiaries;

(viii). any mortgages, indentures, guarantees, loans, or credit agreements, security agreements, or other Contracts, in each case relating to indebtedness for borrowed money, whether as borrower or lender, in each case in excess of \$50,000.00, other than (A) accounts receivables and payables, and (B) loans to direct or indirect wholly-owned Subsidiaries of the Company;

(ix). any employee collective bargaining agreement or other Contract with any labor union;

(x). any Company IP Agreement, other than licenses for shrinkwrap, clickwrap, or other similar commercially available off-the-shelf software that has not been modified or customized by a third party for the Company or any of its Subsidiaries; or

(xi). any other Contract under which the Company or any of its Subsidiaries is obligated to make payment or incur costs in excess of \$50,000.00 in any year and which is not otherwise described above.

(b). Schedule of Material Contracts; Documents. Section 3.15(b) of the Company Disclosure Schedule sets forth a true and complete list as of the date hereof of all Company Material Contracts. The Company has made available to American Resources correct and complete copies of all Company Material Contracts, including any amendments thereto.

(c). No Breach. (i) All the Company Material Contracts are legal, valid, and binding on the Company or its applicable Subsidiary, enforceable against it in accordance with its terms, and is in full force and effect; (ii) neither the Company nor any of its Subsidiaries nor, to the Knowledge of the Company, any third party has violated any provision of, or failed to perform any obligation required under the provisions of, any Company Material Contract; and (iii) neither the Company nor any of its Subsidiaries nor, to the Knowledge of the Company, any third party is in breach, or has received written notice of breach, of any Company Material Contract.

3.16. Insurance. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, all insurance policies of the Company and its Subsidiaries are in full force and effect and provide insurance in such amounts and against such risks as the Company reasonably has determined to be prudent, taking into account the industries in which the Company and its Subsidiaries operate, and as is sufficient to comply with applicable Law. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, neither the Company nor any of its Subsidiaries is in breach or default, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action which, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of, any of such insurance policies. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect and to the Knowledge of the Company: (i) no insurer of any such policy has been declared insolvent or placed in receivership, conservatorship, or liquidation; and (ii) no notice of cancellation or termination, other than pursuant to the expiration of a term in accordance with the terms thereof, has been received with respect to any such policy.

4. Representations and Warranties of American Resources. Except: (a) as disclosed in the American Resources SEC Documents and that is reasonably apparent on the face of such disclosure to be applicable to the representation and warranty set forth herein (other than any disclosures contained or referenced therein under the captions "Risk Factors," "Forward-Looking Statements," "Quantitative and Qualitative Disclosures About Market Risk," and any other disclosures contained or referenced therein of information, factors, or risks that are predictive, cautionary, or forward-looking in nature); or (b) as set forth in the correspondingly numbered Section of the American Resources Disclosure Schedule that relates to such Section or in another section of the American Resources Disclosure Schedule to the extent that it is reasonably apparent on the face of such disclosure that such disclosure is applicable to such Section; American Resources represents and warrants to the Company as follows:

4.01. Organization; Standing and Power; Charter Documents; Subsidiaries.

(a). Organization; Standing and Power. Each of American Resources and its Subsidiaries is a corporation, limited liability company, or other legal entity duly organized, validly existing, and in good standing (to the extent that the concept of "good standing" is applicable in the case of any jurisdiction outside the United States) under the Laws of its jurisdiction of organization, and has the requisite corporate, limited liability company, or other organizational, as applicable, power and authority to own, lease, and operate its assets and to carry on its business as now conducted. Each of American Resources and its Subsidiaries is duly qualified or licensed to do business as a foreign corporation, limited liability company, or other legal entity and is in good standing (to the extent that the concept of "good standing" is applicable in the case of any jurisdiction outside the United States) in each jurisdiction where the character of the assets and properties owned, leased, or operated by it or the nature of its business makes such qualification or license necessary, except where the failure to be so qualified or licensed or to be in good standing, would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

(b). Charter Documents. The copies of the Certificate of Incorporation and By-Laws of American Resources as most recently filed with the American Resources SEC Documents are true, correct, and complete copies of such documents as in effect as of the date of this Agreement. American Resources is not in violation of any of the provisions of its Charter Documents.

(c). Subsidiaries. All of the outstanding shares of capital stock of, or other equity or voting interests in, each Subsidiary of American Resources have been validly issued and are owned by American Resources, directly or indirectly, free of pre-emptive rights, are fully paid and non-assessable, and are free and clear of all Liens, including any restriction on the right to vote, sell, or otherwise dispose of such capital stock or other equity or voting interests, except for any Liens: (i) imposed by applicable securities Laws; or (ii) arising pursuant to the Charter Documents of any non-wholly-owned Subsidiary of American Resources. Except for the capital stock of, or other equity or voting interests in, its Subsidiaries, American Resources does not own, directly or indirectly, any capital stock of, or other equity or voting interests in, any Person.

4.02. Capital Structure.

(a). Capital Stock. The authorized capital stock of American Resources consists of: (i) 230,000,000 shares of American Resources Common Stock; (ii) 5,000,000 shares of Series A Preferred stock, par value \$0.0001 per share, of American Resources (the "American Resources Series A Preferred Stock"); and (iii) 20,000,000 shares of Series C Preferred stock, par value \$0.0001 per share, of American Resources (the "American Resources Series C Preferred Stock"). As of the date of this Agreement and immediately prior to the share offering contemplated under American Resources Form S1/A: (A) 18,639,433 shares of American Resources Common Stock were issued and outstanding (not including shares held in treasury); (B) 452,729 shares of American Resources Series A Preferred Stock were issued and outstanding; and (D) 50,000 shares of American Resources Series C Preferred Stock were issued and outstanding; and through the date hereof, no additional shares of American Resources Common Stock or shares of American Resources Preferred Stock have been issued other than the issuance of shares of American Resources Common Stock upon the exercise or settlement of American Resources Equity Awards. For all classes of common stock and preferred stock of American Resources, no shares are issued and held by American Resources in its treasury. All of the outstanding shares of capital stock of American Resources are, and all shares of capital stock of American Resources which may be issued as contemplated or permitted by this Agreement, including the shares of American Resources Common Stock constituting the Merger Consideration, will be, when issued, duly authorized, validly issued, fully paid, and non-assessable, and not subject to any pre-emptive rights. No Subsidiary of American Resources owns any shares of American Resources Common Stock.

(b). Stock Awards.

(i). As of the date of this Agreement, an aggregate of 3,363,170 shares of American Resources Common Stock were reserved for issuance pursuant to American Resources Equity Awards not yet granted under the American Resources Stock Plans. As of the date of this Agreement, 636,830 shares of American Resources Common Stock were reserved for issuance pursuant to outstanding American Resources Stock Options and no shares of American Resources Restricted Shares were issued and outstanding. Except as provided in this Agreement, since September 12, 2018 and through the date hereof, no American Resources Equity Awards have been granted and no additional shares of American Resources Common Stock have become subject to issuance under the American Resources Stock Plans. All shares of American Resources Common Stock subject to issuance under the American Resources Stock Plans upon issuance in accordance with the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid, and non-assessable.

(ii). Other than the American Resources Equity Awards, as of the date hereof, there are no outstanding (A) securities of American Resources or any of its Subsidiaries convertible into or exchangeable for American Resources Voting Debt or shares of capital stock of American Resources, (B) options, warrants, or other agreements or commitments to acquire from American Resources or any of its Subsidiaries, or obligations of American Resources or any of its Subsidiaries to issue, any American Resources Voting Debt or shares of capital stock of (or securities convertible into or exchangeable for shares of capital stock of) American Resources, or (C) restricted shares, restricted stock units, stock appreciation rights, performance shares, profit participation rights, contingent value rights, "phantom" stock, or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any shares of capital stock of American Resources, in each case that have been issued by American Resources or its Subsidiaries (the items in clauses (A), (B), and (C), together with the capital stock of American Resources, being referred to collectively as "American Resources Securities"). All outstanding shares of American Resources Common Stock, all outstanding American Resources Equity Awards, and all outstanding shares of capital stock, voting securities, or other ownership interests in any Subsidiary of American Resources, have been issued or granted, as applicable, in compliance in all material respects with all applicable securities Laws.

(iii). As of the date hereof, there are no outstanding Contracts requiring American Resources or any of its Subsidiaries to repurchase, redeem, or otherwise acquire any American Resources Securities or American Resources Subsidiary Securities. Neither American Resources nor any of its Subsidiaries is a party to any voting agreement with respect to any American Resources Securities or American Resources Subsidiary Securities.

(c). Voting Debt. No bonds, debentures, notes, or other indebtedness issued by American Resources or any of its Subsidiaries: (i) having the right to vote on any matters on which stockholders or equity holders of American Resources or any of its Subsidiaries may vote (or which is convertible into, or exchangeable for, securities having such right); or (ii) the value of which is directly based upon or derived from the capital stock, voting securities, or other ownership interests of American Resources or any of its Subsidiaries, are issued or outstanding (collectively, "American Resources Voting Debt").

(d). American Resources Subsidiary Securities. As of the date hereof, there are no outstanding: (i) securities of American Resources or any of its Subsidiaries convertible into or exchangeable for American Resources Voting Debt, capital stock, voting securities, or other ownership interests in any Subsidiary of American Resources; (ii) options, warrants, or other agreements or commitments to acquire from American Resources or any of its Subsidiaries, or obligations of American Resources or any of its Subsidiaries to issue, any American Resources Voting Debt, capital stock, voting securities, or other ownership interests in (or securities convertible into or exchangeable for capital stock, voting securities, or other ownership interests in) any Subsidiary of American Resources; or (iii) restricted shares, restricted stock units, stock appreciation rights, performance shares, profit participation rights, contingent value rights, "phantom" stock, or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any capital stock or voting securities of, or other ownership interests in, any Subsidiary of American Resources, in each case that have been issued by a Subsidiary of American Resources (the items in clauses (i), (ii), and (iii), together with the capital stock, voting securities, or other ownership interests of such Subsidiaries, being referred to collectively as "American Resources Subsidiary Securities").

4.03. Authority; Non-Contravention; Governmental Consents; Board Approval.

(a). Authority. American Resources has all requisite corporate power or limited liability power, as applicable, and authority to enter into and to perform its obligations under this Agreement and, subject to, in the case of the consummation of the Merger, the need to obtain the affirmative vote or consent of 9,506,111 of the outstanding shares of the American Resources Common Stock to the American Resources Stock Issuance (the "Requisite American Resources Vote"), to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by American Resources and the consummation by American Resources of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate or limited liability action, as applicable, on the part of American Resources and no other corporate or limited liability proceedings, as applicable, on the part of American Resources are necessary to authorize the execution and delivery of this Agreement or to consummate the Merger, the American Resources Stock Issuance, and the other transactions contemplated by this Agreement, subject only, in the case of consummation of the Merger, to the need to obtain the Requisite American Resources Vote. This Agreement has been duly executed and delivered by American Resources and, assuming due execution and delivery by the Company, constitutes the legal, valid, and binding obligation of American Resources, enforceable against American Resources in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, and other similar Laws affecting creditors' rights generally and by general principles of equity.

(b). Non-Contravention. The execution, delivery, and performance of this Agreement by American Resources and the consummation by American Resources of the transactions contemplated by this Agreement, do not and will not: (i) contravene or conflict with, or result in any violation or breach of, American Resources' Charter Documents; (ii) assuming that all of the Consents contemplated by Section 4.03(c) have been obtained or made, and in the case of the consummation of the Merger, obtaining the Requisite American Resources Vote, conflict with or violate any Law applicable to American Resources or any of its properties or assets; (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in American Resources' or any of its Subsidiaries' loss of any benefit or the imposition of any additional payment or other liability under, or alter the rights or obligations of any third party under, or give to any third party any rights of termination, amendment, acceleration, or cancellation, or require any Consent under, any Contract to which American Resources or any of its Subsidiaries is a party or otherwise bound as of the date hereof; or (iv) result in the creation of a Lien (other than Permitted Liens) on any of the properties or assets of American Resources or any of its Subsidiaries, except, in the case of each of clauses (ii), (iii), and (iv), for any conflicts, violations, breaches, defaults, loss of benefits, additional payments or other liabilities, alterations, terminations, amendments, accelerations, cancellations, or Liens that, or where the failure to obtain any Consents, in each case, would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

(c). Governmental Consents. Except as set forth in Section 4.03(c) of the American Resources Disclosure Schedule, no Consent of any Governmental Entity is required to be obtained or made by American Resources in connection with the execution, delivery, and performance by American Resources of this Agreement or the consummation by American Resources of the Merger, the American Resources Stock Issuance, and the other transactions contemplated hereby.

(d). Board Approval. The American Resources Board by resolutions duly adopted by a unanimous vote at a meeting of all directors of American Resources duly called and held and, not subsequently rescinded or modified in any way, has (A) determined that this Agreement and the transactions contemplated hereby, including the Merger, and the American Resources Stock Issuance, upon the terms and subject to the conditions set forth herein, are fair to, and in the best interests of, American Resources and the American Resources' stockholders, (B) approved and declared advisable this Agreement, including the execution, delivery, and performance thereof, and the consummation of the transactions contemplated by this Agreement, including the Merger and the American Resources Stock Issuance, upon the terms and subject to the conditions set forth herein, (C) directed that the American Resources Stock Issuance be submitted to a vote of the American Resources' stockholders for adoption at the American Resources Stockholders Meeting, and (D) resolved to recommend that American Resources' stockholders vote in favor of approval of the American Resources Stock Issuance (collectively, the "American Resources Board Recommendation").

4.04. SEC Filings; Financial Statements; Undisclosed Liabilities.

(a). SEC Filings. American Resources has timely filed with or furnished to, as applicable, the SEC all registration statements, prospectuses, reports, schedules, forms, statements, and other documents (including exhibits and all other information incorporated by reference) required to be filed or furnished by it with the SEC since September 30, 2018 (the "American Resources SEC Documents"). True, correct, and complete copies of all the American Resources SEC Documents are publicly available on EDGAR. As of their respective filing dates or, if amended or superseded by a subsequent filing prior to the date hereof, as of the date of the last such amendment or superseding filing (and, in the case of registration statements and proxy statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), each of the American Resources SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act, and the Sarbanes-Oxley Act, and the rules and regulations of the SEC thereunder applicable to such American Resources SEC Documents. None of the American Resources SEC Documents, including any financial statements, schedules, or exhibits included or incorporated by reference therein at the time they were filed (or, if amended or superseded by a subsequent filing prior to the date hereof, as of the date of the last such amendment or superseding filing), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. To the knowledge of American Resources, none of the American Resources SEC Documents is the subject of ongoing SEC review or outstanding SEC investigation and there are no outstanding or unresolved comments received from the SEC with respect to any of the American Resources SEC Documents. None of American Resources' Subsidiaries is required to file or furnish any forms, reports, or other documents with the SEC.

(b). Financial Statements. Each of the consolidated financial statements (including, in each case, any notes and schedules thereto) contained in or incorporated by reference into the American Resources SEC Documents: (i) complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto as of their respective dates; (ii) was prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto and, in the case of unaudited interim financial statements, as may be permitted by the SEC for Quarterly Reports on Form 10-Q); and (iii) fairly presented in all material respects the consolidated financial position and the results of operations, changes in stockholders' equity, and cash flows of American Resources and its consolidated Subsidiaries as of the respective dates of and for the periods referred to in such financial statements, subject, in the case of unaudited interim financial statements, to normal and year-end audit adjustments as permitted by GAAP and the applicable rules and regulations of the SEC (but only if the effect of such adjustments would not, individually or in the aggregate, be material).

(c). Undisclosed Liabilities. The audited balance sheet of American Resources dated as of January 31, 2019, contained in the American Resources SEC Documents filed prior to the date hereof is hereinafter referred to as the "American Resources Balance Sheet." Neither American Resources nor any of its Subsidiaries has any Liabilities other than Liabilities that: (i) are reflected or reserved against in the American Resources Balance Sheet (including in the notes thereto); (ii) were incurred since the date of the American Resources Balance Sheet in the ordinary course of business consistent with past practice; (iii) are incurred in connection with the transactions contemplated by this Agreement; or (iv) would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

(d). NASDAQ Compliance. American Resources is in compliance with all of the applicable listing and corporate governance rules of NASDAQ, except for any non-compliance that would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

4.05. Absence of Certain Changes or Events. Since the date of the American Resources Balance Sheet, except in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, the business of American Resources and each of its Subsidiaries has been conducted in the ordinary course of business consistent with past practice and there has not been or occurred any American Resources Material Adverse Effect or any event, condition, change, or effect that could reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

4.06. Compliance; Permits.

(a). Compliance. American Resources and each of its Subsidiaries are and, since December 31, 2016, have been in compliance with, all Laws or Orders applicable to American Resources or any of its Subsidiaries or by which American Resources or any of its Subsidiaries or any of their respective businesses or properties is bound, except for such non-compliance that would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect. Since December 31, 2016, no Governmental Entity has issued any notice or notification stating that American Resources or any of its Subsidiaries is not in compliance with any Law, except where such non-compliance would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

(b). Permits. American Resources and its Subsidiaries hold, to the extent necessary to operate their respective businesses as such businesses are being operated as of the date hereof, all Permits except for any Permits for which the failure to obtain or hold would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect. No suspension, cancellation, non-renewal, or adverse modifications of any Permits of American Resources or any of its Subsidiaries is pending or, to the Knowledge of American Resources, threatened, except for any such suspension or cancellation which would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect. American Resources and each of its Subsidiaries is and, since December 31, 2016, has been in compliance with the terms of all Permits, except where the failure to be in such compliance would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

4.07. Litigation. There is no Legal Action pending, or to the Knowledge of American Resources, threatened against American Resources or any of its Subsidiaries or any of their respective properties or assets or, to the Knowledge of American Resources, any officer or director of American Resources or any of its Subsidiaries in their capacities as such other than any such Legal Action that: (a) does not involve an amount that would reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect; and (b) does not seek material injunctive or other material non-monetary relief. None of American Resources or any of its Subsidiaries or any of their respective properties or assets is subject to any Order of a Governmental Entity or arbitrator, whether temporary, preliminary, or permanent, which would reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect. To the Knowledge of American Resources, there are no SEC inquiries or investigations, other governmental inquiries or investigations, or internal investigations pending or, to the Knowledge of American Resources, threatened, in each case regarding any accounting practices of American Resources or any of its Subsidiaries or any malfeasance by any officer or director of American Resources.

4.08. Brokers. Except for fees payable to Maxim Group, LLC, the fees and expenses of which will be paid by American Resources, neither American Resources, nor any of its Affiliates has incurred, nor will it incur, directly or indirectly, any liability for investment banker, brokerage, or finders' fees or agents' commissions, or any similar charges in connection with this Agreement or any transaction contemplated hereby for which the Company would be liable in connection with the Merger.

4.09. Information Supplied. None of the information supplied or to be supplied by or on behalf of American Resources for inclusion or incorporation by reference in any form filed with the SEC, and at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. None of the information supplied or to be supplied by or on behalf of American Resources for inclusion or incorporation by reference in any proxy statement will, at the date it is first mailed to American Resources' stockholders or at the time of the American Resources Stockholders Meeting or at the time of any amendment or supplement thereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Any proxy statement will comply as to form in all material respects with the requirements of the Exchange Act. Notwithstanding the foregoing, no representation or warranty is made by American Resources with respect to statements made or incorporated by reference therein based on information that was not supplied by or on behalf of American Resources.

4.10. Ownership of Company Common Stock. Neither American Resources nor any of its Affiliates or Associates owns any shares of Company Common Stock.

4.11. Intended Tax Treatment. Neither American Resources nor any of its Subsidiaries has taken or agreed to take any action, and to the Knowledge of American Resources there exists no fact or circumstance, that is reasonably likely to prevent or impede the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

4.12. Financial Capability. American Resources has or will have prior to the Effective Time, sufficient funds to pay the aggregate Cash Consideration contemplated by this Agreement and to perform the other obligations of American Resources contemplated by this Agreement.

5. Covenants.

5.01. Conduct of Business of the Company. During the period from the date of this Agreement until the Effective Time, the Company shall, and shall cause each of its Subsidiaries, except as expressly contemplated by this Agreement, as required by applicable Law, or with the prior written consent of American Resources (which consent shall not be unreasonably withheld, conditioned, or delayed), to use its reasonable best efforts to conduct its business in the ordinary course of business consistent with past practice. To the extent consistent therewith, the Company shall, and shall cause each of its Subsidiaries to, use its reasonable best efforts to preserve substantially intact its and its Subsidiaries' business organization, to keep available the services of its and its Subsidiaries' current officers and employees, to preserve its and its Subsidiaries' present relationships with customers, suppliers, distributors, licensors, licensees, and other Persons having business relationships with it. Without limiting the generality of the foregoing, between the date of this Agreement and the Effective Time, except as otherwise expressly contemplated by this Agreement, as set forth in Section 5.01 of the Company Disclosure Schedule, or as required by applicable Law, the Company shall not, nor shall it permit any of its Subsidiaries to, without the prior written consent of American Resources (which consent shall not be unreasonably withheld, conditioned, or delayed):

(a). amend or propose to amend its Charter Documents;

(b). (i) split, combine, or reclassify any Company Securities or Company Subsidiary Securities, (ii) repurchase, redeem, or otherwise acquire, or offer to repurchase, redeem, or otherwise acquire, any Company Securities or Company Subsidiary Securities, or (iii) declare, set aside, or pay any dividend or distribution (whether in cash, stock, property, or otherwise) in respect of, or enter into any Contract with respect to the voting of, any shares of its capital stock (other than dividends from its direct or indirect wholly-owned Subsidiaries);

(c). issue, sell, pledge, dispose of, or encumber any Company Securities or Company Subsidiary Securities, other than the issuance of shares of Company Common Stock upon the exercise of any Company Equity Award outstanding as of the date of this Agreement in accordance with its terms;

(d). except as required by applicable Law or by any Company Employee Plan or Contract in effect as of the date of this Agreement (i) increase the compensation payable or that could become payable by the Company or any of its Subsidiaries to directors, officers, or employees, other than increases in compensation made to non-officer employees in the ordinary course of business consistent with past practice, (ii) promote any officers or employees, except in connection with the Company's annual or quarterly compensation review cycle or as the result of the termination or resignation of any officer or employee, or (iii) establish, adopt, enter into, amend, terminate, exercise any discretion under, or take any action to accelerate rights under any Company Employee Plans or any plan, agreement, program, policy, trust, fund, or other arrangement that would be a Company Employee Plan if it were in existence as of the date of this Agreement, or make any contribution to any Company Employee Plan, other than contributions required by Law, the terms of such Company Employee Plans as in effect on the date hereof, or that are made in the ordinary course of business consistent with past practice;

(e). acquire, by merger, consolidation, acquisition of stock or assets, or otherwise, any business or Person or division thereof or make any loans, advances, or capital contributions to or investments in any Person in excess of \$100,000.00 in the aggregate;

(f). (i) transfer, license, sell, lease, or otherwise dispose of (whether by way of merger, consolidation, sale of stock or assets, or otherwise) or pledge, encumber, or otherwise subject to any Lien (other than a Permitted Lien), any assets, including the capital stock or other equity interests in any Subsidiary of the Company; *provided, that* the foregoing shall not prohibit the Company and its Subsidiaries from transferring, selling, leasing, or disposing of obsolete equipment or assets being replaced, or granting of non-exclusive licenses under the Company IP, in each case in the ordinary course of business consistent with past practice, or (ii) adopt or effect a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, or other reorganization;

(g). repurchase, prepay, or incur any indebtedness for borrowed money or guarantee any such indebtedness of another Person, issue or sell any debt securities or options, warrants, calls, or other rights to acquire any debt securities of the Company or any of its Subsidiaries, guarantee any debt securities of another Person, enter into any "keep well" or other Contract to maintain any financial statement condition of any other Person (other than any wholly-owned Subsidiary of it) or enter into any arrangement having the economic effect of any of the foregoing, other than in connection with the financing of ordinary course trade payables consistent with past practice;

(h). enter into or amend or modify in any material respect, or consent to the termination of (other than at its stated expiry date), any Company Material Contract or any Lease with respect to material Real Estate or any other Contract or Lease that, if in effect as of the date hereof would constitute a Company Material Contract or Lease with respect to material Real Estate hereunder;

(i). institute, settle, or compromise any Legal Action involving the payment of monetary damages by the Company or any of its Subsidiaries of any amount exceeding \$50,000.00 in the aggregate, other than (i) any Legal Action brought against American Resources arising out of a breach or alleged breach of this Agreement by American Resources, and (ii) the settlement of claims, liabilities, or obligations reserved against on the Company Balance Sheet; *provided, that* neither the Company nor any of its Subsidiaries shall settle or agree to settle any Legal Action which settlement involves a conduct remedy or injunctive or similar relief or has a restrictive impact on the Company's business;

(j). make any material change in any method of financial accounting principles or practices;

(k). (i) settle or compromise any material Tax claim, audit, or assessment for an amount materially in excess of the amount reserved or accrued on the Company Balance Sheet, (ii) make or change any material Tax election, change any annual Tax accounting period, or adopt or change any method of Tax accounting, (iii) amend any material Tax Returns or file claims for material Tax refunds, or (iv) enter into any material closing agreement, surrender in writing any right to claim a material Tax refund, offset or other reduction in Tax liability or consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment relating to the Company or its Subsidiaries;

(l). enter into any material agreement, agreement in principle, letter of intent, memorandum of understanding, or similar Contract with respect to any joint venture, strategic partnership, or alliance;

(m). except in connection with actions permitted by Section 5.04 hereof, take any action to exempt any Person from, or make any acquisition of securities of the Company by any Person not subject to, any state takeover statute or similar statute or regulation that applies to Company with respect to a Takeover Proposal or otherwise, except for American Resources or the transactions contemplated by this Agreement;

(n). abandon, allow to lapse, sell, assign, transfer, grant any security interest in otherwise encumber or dispose of any material Company IP, or grant any right or license to any material Company IP other than pursuant to non-exclusive licenses entered into in the ordinary course of business consistent with past practice;

(o). terminate or modify in any material respect, or fail to exercise renewal rights with respect to, any material insurance policy;

(p). except to the extent expressly permitted by Section 5.04 or Section 7, take any action that is intended or that would reasonably be expected to, individually or in the aggregate, prevent, materially delay, or materially impede the consummation of the Merger, or the other transactions contemplated by this Agreement; or

(q). agree or commit to do any of the foregoing.

5.02. Conduct of the Business of American Resources. During the period from the date of this Agreement until the Effective Time, American Resources shall, and shall cause each of its Subsidiaries, except as expressly contemplated by this Agreement, as required by applicable Law, or with the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned, or delayed), to use its reasonable best efforts to conduct its business in the ordinary course of business consistent with past practice. Without limiting the generality of the foregoing, between the date of this Agreement and the Effective Time, except as otherwise expressly contemplated by this Agreement, as set forth in Section 5.02 of the American Resources Disclosure Schedule, or as required by applicable Law, American Resources shall not, nor shall it permit any of its Subsidiaries to, without the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned, or delayed):

(a). amend its Charter Documents in a manner that would adversely affect the Company or the holders of Company Common Stock relative to the other holders of American Resources Common Stock;

(b). (i) split, combine, or reclassify any American Resources Securities or American Resources Subsidiary Securities in a manner that would adversely affect the Company or the holders of Company Common Stock relative to the other holders of American Resources Common Stock, (ii) repurchase, redeem, or otherwise acquire, or offer to repurchase, redeem, or otherwise acquire, any American Resources Securities or American Resources Subsidiary Securities, or (iii) declare, set aside, or pay any dividend or distribution (whether in cash, stock, property, or otherwise) in respect of, or enter into any Contract with respect to the voting of, any shares of its capital stock (other than dividends from its direct or indirect wholly-owned Subsidiaries and ordinary quarterly dividends, consistent with past practice with respect to timing of declaration and payment);

(c). issue, sell, pledge, dispose of, or encumber any American Resources Securities or American Resources Subsidiary Securities, other than (i) the issuance of shares of American Resources Common Stock upon the exercise of any American Resources Equity Awards outstanding as of the date of this Agreement in accordance with its terms, (ii) the issuance of shares of American Resources Common Stock in connection with or upon the exercise of any American Resources Equity Awards granted after the date hereof in the ordinary course of business consistent with past practice, and (iii) sales or issuances of shares of American Resources Common Stock or convertible securities in an amount not exceeding 5% of the issued and outstanding shares of American Resources Common Stock (in the case of convertible securities, on an as-converted basis) as of the date of this Agreement;

(d). acquire, by merger, consolidation, acquisition of stock or assets, or otherwise, any business or Person or division thereof or make any loans, advances, or capital contributions to or investments in any Person, in each case that would reasonably be expected to prevent, impede, or materially delay the consummation of the Merger or other transactions contemplated by this Agreement;

(e). adopt or effect a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, or other reorganization;

(f). except to the extent expressly permitted by Section 5.04 or Section 7, take any action that is intended or that would reasonably be expected to, individually or in the aggregate, prevent, impede, or materially delay the consummation of the Merger, or the other transactions contemplated by this Agreement; or

(g). agree or commit to do any of the foregoing.

5.03. Access to Information: Confidentiality.

(a). Access to Information. From the date of this Agreement until the earlier to occur of the Effective Time or the termination of this Agreement in accordance with the terms set forth in Section 7, the Company shall, and shall cause its Subsidiaries to, afford to American Resources and American Resources' Representatives reasonable access, at reasonable times and in a manner as shall not unreasonably interfere with the business or operations of the Company or any Subsidiary thereof, to the officers, employees, accountants, agents, properties, offices, and other facilities and to all books, records, contracts, and other assets of the Company and its Subsidiaries, and the Company shall, and shall cause its Subsidiaries to, furnish promptly to American Resources such other information concerning the business and properties of the Company and its Subsidiaries as American Resources may reasonably request from time to time. Neither the Company nor any of its Subsidiaries shall be required to provide access to or disclose information where such access or disclosure would jeopardize the protection of attorney-client privilege or contravene any Law (it being agreed that the parties shall use their reasonable best efforts to cause such information to be provided in a manner that would not result in such jeopardy or contravention). No investigation shall affect the Company's representations, warranties, covenants, or agreements contained herein, or limit or otherwise affect the remedies available to American Resources pursuant to this Agreement.

(b). Confidentiality. [reserved].

5.04. Company Stockholders Meeting. The Company shall take all action necessary to duly call, give notice of, convene, and hold the Company Stockholders Meeting as soon as reasonably practicable.

5.05. American Resources Stockholders Meeting. American Resources shall take all action necessary to duly call, give notice of, convene, and hold the American Resources Stockholders Meeting as soon as reasonably practicable.

5.06. McCoy Elkhorn Coal LLC. Immediately subsequent to the Merger, American Resources shall take all steps necessary to cause the assets of the Company to ultimately be owned by McCoy Elkhorn Coal LLC, the single-member limited liability company owned by Quest Energy, Inc., American Resources' wholly-owned subsidiary.

5.07. Company Bond. American Resources and its Subsidiaries shall cause the Company surety bonds in place prior to Closing to be released within thirty (30) days after Closing and the cash collateral for such bonds shall be delivered to the holders of shares of Company Common Stock. This Section and the covenants set forth herein shall expressly survive Closing.

5.08. Public Announcements. The initial press release with respect to this Agreement and the transactions contemplated hereby shall be a release mutually agreed to by the Company and American Resources. Thereafter, no public release or announcement concerning the transactions contemplated hereby shall be issued by any party without the prior written consent of the Company and American Resources (which consent shall not be unreasonably withheld, conditioned, or delayed), except as may be required by applicable Law or the rules or regulations of any applicable United States securities exchange or other Governmental Entity to which the relevant party is subject or submits, in which case the party required to make the release or announcement shall use its reasonable best efforts to allow the other party reasonable time to comment on such release or announcement in advance of such issuance.

5.09. Section 16 Matters. Prior to the Effective Time, the Company and American Resources shall each take all such steps as may be required to cause to be exempt under Rule 16b-3 promulgated under the Exchange Act:

(a). any dispositions of shares of Company Common Stock (including derivative securities with respect to such shares) that are treated as dispositions under such rule and result from the transactions contemplated by this Agreement by each director or officer of the Company who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company immediately prior to the Effective Time; and

(b). any acquisitions of American Resources Common Stock (including derivative securities with respect to such shares) that are treated as acquisitions under such rule and result from the transactions contemplated by this Agreement by each individual who may become or is reasonably expected to become subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to American Resources immediately after the Effective Time.

5.10. Stock Exchange Matters. American Resources shall use its reasonable best efforts to cause the shares of American Resources Common Stock to be issued in connection with the Merger to be listed on NASDAQ (or such other stock exchange as may be mutually agreed upon by the Company and American Resources), subject to official notice of issuance, prior to the Effective Time.

6. Conditions.

6.01. Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to this Agreement to effect the Merger is subject to the satisfaction or waiver (where permissible pursuant to applicable Law) on or prior to the Closing Date of each of the following conditions:

(a). Company Stockholder Approval. This Agreement will have been duly adopted by the Requisite Company Vote.

(b). American Resources Stockholder Approval. The American Resources Stock Issuance will have been approved by the Requisite American Resources Vote.

(c). Listing. The shares of American Resources Common Stock issuable as Merger Consideration pursuant to this Agreement shall have been approved for listing on NASDAQ, subject to official notice of issuance.

(d). Form S-4. The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order.

(e). Regulatory Approvals. All waiting periods applicable to the consummation of the Merger under the HSR Act (or any extension thereof) shall have expired or been terminated and all required filings shall have been made and all required approvals obtained (or waiting periods expired or terminated) under applicable Antitrust Laws.

(f). No Injunctions, Restraints, or Illegality. No Governmental Entity having jurisdiction over any party hereto shall have enacted, issued, promulgated, enforced, or entered any Laws or Orders, whether temporary, preliminary, or permanent, that make illegal, enjoin, or otherwise prohibit consummation of the Merger, the American Resources Stock Issuance, or the other transactions contemplated by this Agreement.

6.02. Conditions to Obligations of American Resources. The obligations of American Resources to effect the Merger are also subject to the satisfaction or waiver (where permissible pursuant to applicable Law) by American Resources on or prior to the Effective Time of the following conditions:

(a). Representations and Warranties. The representations and warranties of the Company this Agreement shall be true and correct in all respects when made and on and as of the Closing Date, as if made on and as of such date (except those representations and warranties that address matters only as of a particular date, which shall be true and correct in all respects as of that date), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b). Performance of Covenants. The Company shall have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, in this Agreement required to be performed by or complied with by it at or prior to the Closing Date.

(c). Company Material Adverse Effect. Since the date of this Agreement, there shall not have been any Company Material Adverse Effect or any event, change, or effect that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

6.03. Conditions to Obligation of the Company. The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver by the Company on or prior to the Effective Time of the following conditions:

(a). Representations and Warranties. The representations and warranties of American Resources set forth in this Agreement shall be true and correct in all respects when made and on and as of the Closing Date, as if made on and as of such date (except those representations and warranties that address matters only as of a particular date, which shall be true and correct in all respects as of that date), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have, individually or in the aggregate, an American Resources Material Adverse Effect.

(b). Performance of Covenants. American Resources shall have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, of this Agreement required to be performed by or complied with by them at or prior to the Closing Date.

(c). American Resources Material Adverse Effect. Since the date of this Agreement, there shall not have been any American Resources Material Adverse Effect or any event, change, or effect that would, individually or in the aggregate, reasonably be expected to have an American Resources Material Adverse Effect.

(d). Consents.

(i). The Company will have received written consent regarding the effect of the Merger and any change of control or assignment provision in any Company Material Contract, including without limitation, that certain Amended and Restated Agreement of Lease dated January 1, 1992, by and between the Company and Kentucky Berwind Land Company.

(ii). The Company will have received written consent from Community Trust Bank regarding the effect of the Merger and any change of control, assignment provision or other applicable provision within the Company's loan documents with Community Trust Bank.

(e). Assignment Prior to Closing. The Company shall have transferred, assigned or distributed the Company's rights, title and interest in and to that certain Forbearance Agreement dated April 29, 2016, by and among Empire Coal Holdings, LLC, the Company, Revelation Energy, LLC and Empire Coal Processing, LLC.

(f). Empire Coal Holdings, LLC Merger. The closing of the merger transaction by and between Empire Coal Holdings, LLC and McCoy Elkhorn Coal LLC, the consideration for which shall be \$2,500,000.00 (payable \$500,000.00 upon the execution of the definitive agreement between Empire Coal Holdings, LLC and McCoy Elkhorn Coal LLC and a promissory note in the original principal amount of \$2,000,000.00 delivered at closing) shall occur immediately prior to the Closing.

7. Termination, Amendment, and Waiver.

7.01. Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Effective Time (whether before or after the receipt of the Requisite Company Vote or the Requisite American Resources Vote) by the mutual written consent of American Resources and the Company.

7.02. Termination by Either American Resources or the Company. This Agreement may be terminated by either American Resources or the Company at any time prior to the Effective Time (whether before or after the receipt of the Requisite Company Vote or the Requisite American Resources Vote):

(a). if the Merger shall not have been consummated on or prior to 5:00 p.m., Eastern Time, on March 15, 2019 (the "End Date"); *provided, however*, that the right to terminate this Agreement pursuant to this Section 7.02(a) shall not be available to any party whose breach of any representation, warranty, covenant, or agreement set forth in this Agreement has been the cause of, or resulted in, the failure of the Merger to be consummated on or before the End Date;

(b). if any Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any Law or Order making illegal, permanently enjoining, or otherwise permanently prohibiting the consummation of the Merger, the American Resources Stock Issuance, or the other transactions contemplated by this Agreement, and such Law or Order shall have become final and nonappealable; *provided, however*, that the right to terminate this Agreement pursuant to this Section 7.02(b) shall not be available to any party whose breach of any representation, warranty, covenant, or agreement set forth in this Agreement has been the cause of, or resulted in, the issuance, promulgation, enforcement, or entry of any such Law or Order;

(c). if this Agreement has been submitted to the stockholders of the Company for adoption at a duly convened Company Stockholders Meeting and the Requisite Company Vote shall not have been obtained at such meeting (unless such Company Stockholders Meeting has been adjourned or postponed, in which case at the final adjournment or postponement thereof); or

(d). if the American Resources Stock Issuance has been submitted to the stockholders of American Resources for approval at a duly convened American Resources Stockholders Meeting and the Requisite American Resources Vote shall not have been obtained at such meeting (unless such American Resources Stockholders Meeting has been adjourned or postponed, in which case at the final adjournment or postponement thereof).

7.03. Termination by American Resources. This Agreement may be terminated by American Resources at any time prior to the Effective Time:

(a). if prior to the receipt of the Requisite American Resources Vote at the American Resources Stockholders Meeting, the American Resources Board authorizes American Resources, in full compliance with the terms of this Agreement, to enter into an Acquisition Agreement (other than an Acceptable Confidentiality Agreement) in respect of a Superior Proposal; *provided, that* American Resources shall have paid any amounts due pursuant to Section 7.06(b)(ii) hereof in accordance with the terms, and at the times, specified therein; and *provided further*, that in the event of such termination, American Resources substantially concurrently enters into such Acquisition Agreement;

(b). if: (i) a Company Adverse Recommendation Change shall have occurred; or (ii) the Company shall have breached or failed to perform in any material respect any of its covenants and agreements set forth in this Agreement; or

(c). if there shall have been a breach of any representation, warranty, covenant, or agreement on the part of the Company set forth in this Agreement such that the conditions to the Closing of the Merger set forth in Section 6.02 would not be satisfied; *provided, that* American Resources shall not have the right to terminate this Agreement pursuant to this Section 7.03(c) if American Resources is then in material breach of any representation, warranty, covenant, or obligation hereunder, which breach has not been cured.

7.04. Termination by the Company. This Agreement may be terminated by the Company at any time prior to the Effective Time:

(a). if prior to the receipt of the Requisite Company Vote at the Company Stockholders Meeting, the Company Board authorizes the Company, in full compliance with the terms of this Agreement to enter into an Acquisition Agreement (other than an Acceptable Confidentiality Agreement) in respect of a Superior Proposal; *provided, that* the Company shall have paid any amounts due pursuant to Section 7.06(b)(i) hereof in accordance with the terms, and at the times, specified therein; and *provided further*, that in the event of such termination, the Company substantially concurrently enters into such Acquisition Agreement; or

(b). if: (i) a American Resources Adverse Recommendation Change shall have occurred; or (ii) American Resources shall have breached or failed to perform in any material respect any of its covenants and agreements set forth in this Agreement; or

(c). if there shall have been a breach of any representation, warranty, covenant, or agreement on the part of American Resources set forth in this Agreement such that the conditions to the Closing of the Merger set forth in Section 6.03 would not be satisfied; *provided, that* the Company shall not have the right to terminate this Agreement pursuant to this Section 7.04(c) if the Company is then in material breach of any representation, warranty, covenant, or obligation hereunder, which breach has not been cured.

7.05. Notice of Termination; Effect of Termination. The party desiring to terminate this Agreement pursuant to this Section 7 (other than pursuant to Section 7.01) shall deliver written notice of such termination to each other party hereto specifying with particularity the reason for such termination, and any such termination in accordance with this Section 7.05 shall be effective immediately upon delivery of such written notice to the other party. If this Agreement is terminated pursuant to this Section 7, it will become void and of no further force and effect, with no liability on the part of any party to this Agreement (or any stockholder, director, officer, employee, agent, or Representative of such party) to any other party hereto, except: (a) with respect to, this Section 7.05, Section 7.06, and Section 8 (and any related definitions contained in any such Sections or Article), which shall remain in full force and effect; and (b) with respect to any liabilities or damages incurred or suffered by a party, to the extent such liabilities or damages were the result of fraud or the breach by another party of any of its representations, warranties, covenants, or other agreements set forth in this Agreement.

7.06. Fees and Expenses Following Termination.

(a). If this Agreement is terminated by American Resources pursuant to Section 7.03(a), or by the Company pursuant to Section 7.04(b) or Section 7.04(c), then American Resources shall pay to the Company (by wire transfer of immediately available funds), at or prior to such termination, \$500,000.00 (the "American Resources Termination Fee") plus the Company's Expenses actually incurred by the Company on or prior to the termination of this Agreement.

(b). The parties acknowledge and hereby agree that the provisions of this Section 7.06 are an integral part of the transactions contemplated by this Agreement (including the Merger), and that, without such provisions, the parties would not have entered into this Agreement. If American Resources shall fail to pay in a timely manner the amounts due pursuant to this Section 7.06, and, in order to obtain such payment, the other party makes a claim against the non-paying party that results in a judgment, the non-paying party shall pay to the other party the reasonable costs and expenses (including its reasonable attorneys' fees and expenses) incurred or accrued in connection with such suit, together with interest on the amounts set forth in this Section 7.06 at the prime lending rate prevailing during such period as published in *The Wall Street Journal*. Any interest payable hereunder shall be calculated on a daily basis from the date such amounts were required to be paid until (but excluding) the date of actual payment, and on the basis of a 360-day year. The parties acknowledge and agree that in no event shall American Resources be required to pay the American Resources Termination Fee on more than one occasion.

(c). Except as expressly set forth in this Section 7.06, all Expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such Expenses.

7.07. Amendment. At any time prior to the Effective Time, this Agreement may be amended or supplemented in any and all respects, whether before or after receipt of the Requisite Company Vote or the Requisite American Resources Vote, by written agreement signed by each of the parties hereto; *provided, however*, that: (a) following the receipt of the Requisite Company Vote, there shall be no amendment or supplement to the provisions of this Agreement which by Law or in accordance with the rules of any relevant self-regulatory organization would require further approval by the holders of Company Common Stock without such approval; and (b) following the receipt of the Requisite American Resources Vote, there shall be no amendment or supplement to the provisions of this Agreement which by Law or in accordance with the rules of any relevant self-regulatory organization would require further approval by the holders of American Resources Common Stock without such approval.

7.08. Extension; Waiver. At any time prior to the Effective Time, American Resources or the Company may: (a) extend the time for the performance of any of the obligations of the other party(ies); (b) waive any inaccuracies in the representations and warranties of the other party(ies) contained in this Agreement or in any document delivered under this Agreement; or (c) unless prohibited by applicable Law, waive compliance with any of the covenants, agreements, or conditions contained in this Agreement. Any agreement on the part of a party to any extension or waiver will be valid only if set forth in an instrument in writing signed by such party. The failure of any party to assert any of its rights under this Agreement or otherwise will not constitute a waiver of such rights.

8. Miscellaneous.

8.01. Definitions. For purposes of this Agreement, defined terms will have the meanings set forth in Appendix A, attached hereto and incorporated herein by reference, when used herein with initial capital letters.

8.02. Interpretation; Construction.

(a). The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section, Exhibit, or Schedule, such reference shall be to a Section of, Exhibit to, or Schedule of this Agreement unless otherwise indicated. Unless the context otherwise requires, references herein: (i) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (ii) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," and the word "or" is not exclusive. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and does not simply mean "if." A reference in this Agreement to \$ or dollars is to U.S. dollars. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. The words "hereof," "herein," "hereby," "hereto," and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to "this Agreement" shall include the Company Disclosure Schedule and American Resources Disclosure Schedule.

(b). The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

8.03. Survival. None of the representations and warranties contained in this Agreement or in any instrument delivered under this Agreement will survive the Effective Time. This Section 8.03 does not limit any covenant or agreement of the parties contained in this Agreement which, by its terms, contemplates performance after the Effective Time.

8.04. Governing Law. This Agreement and all Legal Actions (whether based on contract, tort, or statute) arising out of or relating to this Agreement or the actions of any of the parties hereto in the negotiation, administration, performance, or enforcement hereof, shall be governed by and construed in accordance with the internal laws of the Commonwealth of Kentucky without giving effect to any choice or conflict of law provision or rule (whether of the Commonwealth of Kentucky or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the Commonwealth of Kentucky.

8.05. Submission to Jurisdiction. Each of the parties hereto irrevocably agrees that any Legal Action with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by any other party hereto or its successors or assigns shall be brought and determined exclusively in the Commonwealth of Kentucky, or in the event (but only in the event) that such court does not have subject matter jurisdiction over such Legal Action, in the Commonwealth of Kentucky. Each of the parties hereto agrees that mailing of process or other papers in connection with any such Legal Action in the manner provided in Section 8.07 or in such other manner as may be permitted by applicable Laws, will be valid and sufficient service thereof. Each of the parties hereto hereby irrevocably submits with regard to any such Legal Action for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any Legal Action relating to this Agreement or any of the transactions contemplated by this Agreement in any court or tribunal other than the aforesaid courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim, or otherwise, in any Legal Action with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder: (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve process in accordance with this Section 8.05; (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise); and (c) to the fullest extent permitted by the applicable Law, any claim that (i) the suit, action, or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action, or proceeding is improper, or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

8.06. Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT: (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION; (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY; AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.06.

8.07. Notices. All notices, requests, consents, claims, demands, waivers, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.07) or to such other Persons, addresses or facsimile numbers as may be designated in writing by the Person entitled to receive such communication as provided above.

8.08. Entire Agreement. This Agreement (including the Exhibits to this Agreement), the Company Disclosure Schedule, the American Resources Disclosure Schedule, and the Confidentiality Agreement constitute the entire agreement among the parties with respect to the subject matter of this Agreement and supersede all other prior agreements and understandings, both written and oral, among the parties to this Agreement with respect to the subject matter of this Agreement. In the event of any inconsistency between the statements in the body of this Agreement, the Confidentiality Agreement, the American Resources Disclosure Schedule, and the Company Disclosure Schedule (other than an exception expressly set forth as such in the American Resources Disclosure Schedule or Company Disclosure Schedule), the statements in the body of this Agreement will control.

8.09. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and respective successors and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

8.10. Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

8.11. Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither American Resources nor the Company may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned, or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

8.12. Remedies. Except as otherwise provided in this Agreement, any and all remedies expressly conferred upon a party to this Agreement will be cumulative with, and not exclusive of, any other remedy contained in this Agreement, at Law, or in equity. The exercise by a party to this Agreement of any one remedy will not preclude the exercise by it of any other remedy.

8.13. Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts, all of which will be one and the same agreement. This Agreement will become effective when each party to this Agreement will have received counterparts signed by all of the other parties.

[SPACE INTENTIONALLY BLANK; SIGNATURES ON FOLLOWING PAGE]

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

EMPIRE KENTUCKY LAND, INC.

By: /s/ Greg B. McDonald
Greg B. McDonald, President
(the "Company")

AMERICAN RESOURCES CORPORATION

By: /s/ Mark C. Jensen
Mark C. Jensen, Chief Executive Officer
("American Resources")

APPENDIX A

DEFINED TERMS

“Acquisition Agreement” has the meaning set forth in Section 5.04(a).

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such first Person. For the purposes of this definition, “control” (including, the terms “controlling,” “controlled by,” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by Contract, or otherwise.

“Affordable Care Act” means the Patient Protection and Affordable Care Act (PPACA), as amended by the Health Care and Education Reconciliation Act (HCERA).

“Agreement” has the meaning set forth in the Preamble.

“Antitrust Laws” has the meaning set forth in Section 3.03(c).

“Book-Entry Share” has the meaning set forth in Section 2.01(c).

“Business Day” means any day, other than Saturday, Sunday, or any day on which banking institutions located in Commonwealth of Kentucky are authorized or required by Law or other governmental action to close.

“Cancelled Shares” has the meaning set forth in Section 2.01(a).

“Certificate” has the meaning set forth in Section 2.01(c).

“Charter Documents” means: (a) with respect to a corporation, the charter, articles or certificate of incorporation, as applicable, and bylaws thereof; (b) with respect to a limited liability company, the certificate of formation or organization, as applicable, and the operating or limited liability company agreement, as applicable, thereof; (c) with respect to a partnership, the certificate of formation and the partnership agreement; and (d) with respect to any other Person the organizational, constituent and/or governing documents and/or instruments of such Person.

“Closing” has the meaning set forth in Section 1.02.

“Closing Date” has the meaning set forth in Section 1.02.

“COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Section 4980B of the Code and Section 601 et. seq. of ERISA.

“Code” has the meaning set forth in the Recitals.

“Company” has the meaning set forth in the Preamble.

“Company Adverse Recommendation Change” shall mean the Company Board: (a) failing to make, withdraw, amend, modify, or materially qualify, in a manner adverse to American Resources, the Company Board Recommendation; (b) failing to include the Company Board Recommendation in the Joint Proxy Statement that is mailed to the Company’s stockholders; (c) recommending a Takeover Proposal; (d) failing to recommend against acceptance of any tender offer or exchange offer for the shares of Company Common Stock within ten Business Days after the commencement of such offer; (e) failing to reaffirm (publicly, if so requested by American Resources) the Company Board Recommendation within ten Business Days after the date any Takeover Proposal (or material modification thereto) is first publicly disclosed by the Company or the Person making such Takeover Proposal; (f) making any public statement inconsistent with the Company Board Recommendation; or (g) resolving or agreeing to take any of the foregoing actions.

"Company Balance Sheet" has the meaning set forth in Section 3.04(e).

"Company Board" has the meaning set forth in the Recitals.

"Company Board Recommendation" has the meaning set forth in Section 3.03(d).

"Company Common Stock" has the meaning set forth in the Recitals.

"Company Disclosure Schedule" means the disclosure schedule, dated as of the date of this Agreement and delivered by the Company to American Resources concurrently with the execution of this Agreement.

"Company Equity Award" means a Company Stock Option or a Company Restricted Share granted under one of the Company Stock Plans, as the case may be.

"Company Financial Advisor" has the meaning set forth in Section 3.10.

"Company IP" has the meaning set forth in Section 3.07(b).

"Company IP Agreements" means all licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, waivers, releases, permissions, and other Contracts, whether written or oral, relating to Intellectual Property and to which the Company or any of its Subsidiaries is a party, beneficiary, or otherwise bound.

"Company IT Systems" means all software, computer hardware, servers, networks, platforms, peripherals, data communication lines, and other information technology equipment and related systems that are owned or used by the Company or any of its Subsidiaries.

"Company Material Adverse Effect" means any event, occurrence, fact, condition, or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to: (a) the business, results of operations, condition (financial or otherwise), or assets of the Company and its Subsidiaries, taken as a whole; or (b) the ability of the Company to consummate the transactions contemplated hereby on a timely basis; provided, however, that a Company Material Adverse Effect shall not be deemed to include events, occurrences, facts, conditions or changes arising out of, relating to, or resulting from: (i) changes generally affecting the economy, financial, or securities markets; (ii) the announcement of the transactions contemplated by this Agreement; (iii) any outbreak or escalation of war or any act of terrorism; or (iv) general conditions in the industry in which the Company and its Subsidiaries operate; provided further, however, that any event, change, and effect referred to in clauses (i), (iii), or (iv) immediately above shall be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such event, change, or effect has a disproportionate effect on the Company and its Subsidiaries, taken as a whole, compared to other participants in the industries in which the Company and its Subsidiaries conduct their businesses.

"Company Material Contract" has the meaning set forth in Section 3.15(a).

"Company-Owned IP" means all Intellectual Property owned by the Company or any of its Subsidiaries.

"Company Preferred Stock" has the meaning set forth in Section 3.02(a).

"Company Restricted Share" has the meaning set forth in Section 2.07(b).

"Company Securities" has the meaning set forth in Section 3.02(b)(ii).

"Company Stock Option" has the meaning set forth in Section 2.07(a).

"Company Stock Plans" means the following plans, in each case as amended: [LIST OF PLANS].

"Company Stockholders Meeting" means the special meeting of the stockholders of the Company to be held to consider the adoption of this Agreement.

"Company Subsidiary Securities" has the meaning set forth in Section 3.02(d).

"Confidentiality Agreement" has the meaning set forth in Section 5.03(b).

"Consent" has the meaning set forth in Section 3.03(c).

"Contracts" means any contracts, agreements, licenses, notes, bonds, mortgages, indentures, leases, or other binding instruments or binding commitments, whether written or oral.

“Dissenting Shares” has the meaning set forth in Section 2.03.

“EDGAR” has the meaning set forth in Section 3.04(a).

“Effective Time” has the meaning set forth in Section 1.03(a).

“End Date” has the meaning set forth in Section 7.02(a).

“Environmental Laws” means any applicable Law, and any Order or binding agreement with any Governmental Entity: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term “Environmental Law” includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Exchange Act” has the meaning set forth in Section 3.03(c).

“Exchange Agent” has the meaning set forth in Section 2.02(a).

“Exchange Fund” has the meaning set forth in Section 2.02(a).

“Exchange Ratio” has the meaning set forth in Section 2.01(b).

“Expenses” means, with respect to any Person, all reasonable and documented out-of-pocket fees and expenses (including all fees and expenses of counsel, accountants, financial advisors, and investment bankers of such Person and its Affiliates), incurred by such Person or on its behalf in connection with or related to the authorization, preparation, negotiation, execution, and performance of this Agreement and any transactions related thereto.

“Certificate of Merger” has the meaning set forth in Section 1.03(a).

“Merger” has the meaning set forth in the Recitals.

“Foreign Antitrust Laws” has the meaning set forth in Section 3.03(c).

“Form S-4” has the meaning set forth in Section 3.17.

“GAAP” has the meaning set forth in Section 3.04(b).

“Governmental Antitrust Authority” has the meaning set forth in Section 5.11(b).

“Governmental Entity” has the meaning set forth in Section 3.03(c).

“Hazardous Substance” shall mean: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral, or gas, in each case, whether naturally occurring or man-made, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, and polychlorinated biphenyls.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as amended.

“HSR Act” has the meaning set forth in Section 3.03(c).

“Indemnified Party” has the meaning set forth in Section 5.10(a).

“Intellectual Property” means any and all of the following arising pursuant to the Laws of any jurisdiction throughout the world: (a) trademarks, service marks, trade names, and similar indicia of source or origin, all registrations and applications for registration thereof, and the goodwill connected with the use of and symbolized by the foregoing; (b) copyrights and all registrations and applications for registration thereof; (c) trade secrets and know-how; (d) patents and patent applications; (e) internet domain name registrations; and (f) other intellectual property and related proprietary rights.

“IRS” means the United States Internal Revenue Service.

“Knowledge” means: (a) with respect to the Company and its Subsidiaries, the actual knowledge of each of the individuals listed in Section 8.01 of the Company’s Disclosure Schedule; and (b) with respect to American Resources and its Subsidiaries, the actual knowledge of each of the individuals listed in Section 8.01 of the American Resources’ Disclosure Schedule; in each case, after due inquiry.

“Laws” means any federal, state, local, municipal, foreign, multi-national or other laws, common law, statutes, constitutions, ordinances, rules, regulations, codes, Orders, or legally enforceable requirements enacted, issued, adopted, promulgated, enforced, ordered, or applied by any Governmental Entity.

“Lease” shall mean all leases, subleases, licenses, concessions, and other agreements (written or oral) under which the Company or any of its Subsidiaries holds any Leased Real Estate, including the right to all security deposits and other amounts and instruments deposited by or on behalf of the Company or any of its Subsidiaries thereunder.

“Leased Real Estate” shall mean all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures, or other interest in real property held by the Company or any of its Subsidiaries.

“Legal Action” means any legal, administrative, arbitral, or other proceedings, suits, actions, investigations, examinations, claims, audits, hearings, charges, complaints, indictments, litigations, or examinations.

“Liability” shall mean any liability, indebtedness, or obligation of any kind (whether accrued, absolute, contingent, matured, unmatured, determined, determinable, or otherwise, and whether or not required to be recorded or reflected on a balance sheet under GAAP).

“Liens” means, with respect to any property or asset, all pledges, liens, mortgages, charges, encumbrances, hypothecations, options, rights of first refusal, rights of first offer, and security interests of any kind or nature whatsoever.

“Maximum Premium” has the meaning set forth in Section 5.10(b).

“Merger” has the meaning set forth in the Recitals.

“Merger Consideration” has the meaning set forth in Section 2.01(b).

“Net Shares” has the meaning set forth in Section 2.07(a).

“Nasdaq” has the meaning set forth in Section 2.01(e).

“Order” has the meaning set forth in Section 3.09.

“Other Governmental Approvals” has the meaning set forth in Section 3.03(c).

“Owned Real Estate” shall mean all land, including without limitation, owned surface and owned mineral rights, together with all buildings, structures, fixtures, and improvements located thereon and all easements, rights of way, and appurtenances relating thereto, owned by the Company or any of its Subsidiaries.

“American Resources” has the meaning set forth in the Preamble.

“American Resources Adverse Recommendation Change” shall mean the American Resources Board: (a) failing to make, withdraw, amend, modify, or materially qualify, in a manner adverse to the Company, the American Resources Board Recommendation; (b) failing to include the American Resources Board Recommendation in the Joint Proxy Statement that is mailed to the American Resources’ stockholders; (c) recommending a Takeover Proposal; (d) failing to recommend against acceptance of any tender offer or exchange offer for the shares of American Resources Common Stock within ten Business Days after the commencement of such offer; (e) failing to reaffirm (publicly, if so requested by the Company) the American Resources Board Recommendation within ten Business Days after the date any Takeover Proposal (or material modification thereto) is first publicly disclosed by American Resources or the Person making such Takeover Proposal; (f) making any public statement inconsistent with the American Resources Board Recommendation; or (g) resolving or agreeing to take any of the foregoing actions.

“American Resources Balance Sheet” has the meaning set forth in Section 4.04(c).

“American Resources Benefit Plans” has the meaning set forth in Section 5.09(b).

“American Resources Board” has the meaning set forth in the Recitals.

"American Resources Board Recommendation" has the meaning set forth in Section 4.03(d)(i).

"American Resources Common Stock" has the meaning set forth in the Recitals.

"American Resources Disclosure Schedule" means the disclosure letter, dated as of the date of this Agreement and delivered by American Resources to the Company concurrently with the execution of this Agreement.

"American Resources Equity Award" means a American Resources Stock Option or a American Resources Restricted Share, as the case may be.

"American Resources Material Adverse Effect" means any event, occurrence, fact, condition, or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to: (a) the business, results of operations, condition (financial or otherwise), or assets of American Resources and its Subsidiaries, taken as a whole; or (b) the ability of American Resources to consummate the transactions contemplated hereby on a timely basis; provided, however, that an American Resources Material Adverse Effect shall not be deemed to include events, occurrences, facts, conditions, or changes arising out of, relating to, or resulting from: (i) changes generally affecting the economy, financial, or securities markets; (ii) the announcement of the transactions contemplated by this Agreement; (iii) any outbreak or escalation of war or any act of terrorism; (iv) general conditions in the industry in which American Resources and its Subsidiaries operate; (v) any failure, in and of itself, by American Resources to meet any internal or published projections, forecasts, estimates, or predictions in respect of revenues, earnings, or other financial or operating metrics for any period (it being understood that the facts or occurrences giving rise to or contributing to such failure may be deemed to constitute, or be taken into account in determining whether there has been or would reasonably be expected to become, an American Resources Material Adverse Effect, to the extent permitted by this definition and not otherwise excepted by a clause of this proviso); or (vi) any change, in and of itself, in the market price or trading volume of American Resources' securities or in its credit ratings (it being understood that the facts or occurrences giving rise to or contributing to such change may be deemed to constitute, or be taken into account in determining whether there has been or would reasonably be expected to become, an American Resources Material Adverse Effect, to the extent permitted by this definition and not otherwise excepted by a clause of this proviso), provided further, however, that any event, change, and effect referred to in clauses (i), (iii), or (iv) immediately above shall be taken into account in determining whether an American Resources Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such event, change, or effect has a disproportionate effect on American Resources and its Subsidiaries, taken as a whole, compared to other participants in the industries in which American Resources and its Subsidiaries conduct their businesses.

"American Resources Series A Preferred Stock" has the meaning set forth in Section 4.02(a).

"American Resources Series C Preferred Stock" has the meaning set forth in Section 4.02(a).

"American Resources Restricted Share" means any American Resources Common Stock subject to vesting, repurchase, or other lapse of restrictions granted under any American Resources Stock Plan.

"American Resources SEC Documents" has the meaning set forth in Section 4.04(a).

"American Resources Securities" has the meaning set forth in Section 4.02(b)(ii).

"American Resources Stockholders Meeting" means the special meeting of the stockholders of American Resources to be held to consider the approval of the American Resources Stock Issuance.

"American Resources Stock Issuance" has the meaning set forth in the Recitals.

"American Resources Stock Option" means any option to purchase American Resources Common Stock granted under any American Resources Stock Plan.

"American Resources Stock Plans" means the following plans, in each case as amended: the 2018 Stock Option Plan dated July 1, 2018.

"American Resources Subsidiary Securities" has the meaning set forth in Section 4.02(d).

"American Resources Termination Fee" means \$500,000.00.

"American Resources Trading Price" means the volume weighted average price per share of American Resources Common Stock as reported on the Nasdaq for the 10 consecutive trading days ending on the trading day immediately preceding the Effective Time (as adjusted as appropriate to reflect any stock splits, stock dividends, combinations, reorganizations, reclassifications, or similar events).

"American Resources Voting Debt" has the meaning set forth in Section 4.02(c).

"PBGC" has the meaning set forth in Section 3.12(d).

"Permits" has the meaning set forth in Section 3.08(b).

"Permitted Liens" means: (a) statutory Liens for current Taxes or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith (provided appropriate reserves required pursuant to GAAP have been made in respect thereof); (b) mechanics', carriers', workers', repairers', and similar statutory Liens arising or incurred in the ordinary course of business for amounts which are not delinquent or which are being contested by appropriate proceedings (provided appropriate reserves required pursuant to GAAP have been made in respect thereof); (c) zoning, entitlement, building, and other land use regulations imposed by Governmental Entities having jurisdiction over such Person's owned or leased real property, which are not violated by the current use and operation of such real property; (d) covenants, conditions, restrictions, easements, and other similar non-monetary matters of record affecting title to such Person's owned or leased real property, which do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person's businesses; (e) any right of way or easement related to public roads and highways, which do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person's businesses; and (f) Liens arising under workers' compensation, unemployment insurance, social security, retirement, and similar legislation.

"Per Share Cash Equivalent Consideration" has the meaning set forth in Section 2.07(a).

"Person" means any individual, corporation, limited or general partnership, limited liability company, limited liability partnership, trust, association, joint venture, Governmental Entity, or other entity or group (which term will include a "group" as such term is defined in Section 13(d)(3) of the Exchange Act).

"Real Estate" means the Owned Real Estate and the Leased Real Estate.

"Representatives" has the meaning set forth in Section 5.04(a).

"Requisite Company Vote" has the meaning set forth in Section 3.03(a).

"Requisite American Resources Vote" has the meaning set forth in Section 4.03(a).

"Securities Act" has the meaning set forth in Section 3.03(c).

"Merger Consideration" has the meaning set forth in Section 2.01(b).

"Subsidiary" of a Person means a corporation, partnership, limited liability company, or other business entity of which a majority of the shares of voting securities is at the time beneficially owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person.

"Superior Proposal" means a bona fide written Takeover Proposal with respect to the applicable party or its Subsidiaries (except that, for purposes of this definition, each reference in the definition of "Takeover Proposal" to "15%" shall be "50%"), that such party's board determines in good faith (after consultation with outside legal counsel and such party's financial advisor) is more favorable from a financial point of view to the holders of such party's common stock than the transactions contemplated by this Agreement, taking into account: (a) all financial considerations; (b) the identity of the third party making such Takeover Proposal; (c) the anticipated timing, conditions (including any financing condition or the reliability of any debt or equity funding commitments) and prospects for completion of such Takeover Proposal; (d) the other terms and conditions of such Takeover Proposal and the implications thereof on such party, including relevant legal, regulatory, and other aspects of such Takeover Proposal deemed relevant by such party; and (e) any revisions to the terms of this Agreement and the transaction contemplated by this Agreement proposed by the other party during the Superior Proposal Notice Period set forth in Section 5.04(d).

"Superior Proposal Notice Period" has the meaning set forth in Section 5.04(d).

"Takeover Proposal" means with respect to the Company or American Resources, as the case may be, an inquiry, proposal, or offer from, or indication of interest in making a proposal or offer by, any Person or group relating to any transaction or series of related transactions (other than the transactions contemplated by this Agreement), involving any: (a) direct or indirect acquisition of assets of such party hereto or its Subsidiaries (including any voting equity interests of Subsidiaries, but excluding sales of assets in the ordinary course of business) equal to 15% or more of the fair market value of such party's consolidated assets or to which 15% or more of such party's net revenues or net income on a consolidated basis are attributable; (b) direct or indirect acquisition of 15% or more of the voting equity interests of such party hereto or any of its Subsidiaries whose business constitutes 15% or more of the consolidated net revenues, net income, or assets of such party and its Subsidiaries, taken as a whole; (c) tender offer or exchange offer that if consummated would result in any Person or group (as defined in Section 13(d) of the Exchange Act) beneficially owning (within the meaning of Section 13(d) of the Exchange Act) 15% or more of the voting power of such party hereto; (d) merger, consolidation, other business combination, or similar transaction involving such party hereto or any of its Subsidiaries, pursuant to which such Person or group (as defined in Section 13(d) of the Exchange Act) would own 15% or more of the consolidated net revenues, net income, or assets of such party and its Subsidiaries, taken as a whole; (e) liquidation, dissolution (or the adoption of a plan of liquidation or dissolution), or recapitalization or other significant corporate reorganization of such party hereto or one or more of its Subsidiaries which, individually or in the aggregate, generate or constitute 15% or more of the consolidated net revenues, net income, or assets of such party and its Subsidiaries, taken as a whole; or (f) any combination of the foregoing.

"Taxes" means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"Tax Returns" means any return, declaration, report, claim for refund, information return or statement, or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Treasury Regulations" means the Treasury regulations promulgated under the Code.

"Voting Debt" has the meaning set forth in Section 3.02(c).

**SHARE EXCHANGE AGREEMENT TO
REPLACE THE PLAN OF MERGER**

By and Among

AMERICAN RESOURCES CORPORATION,
and
EMPIRE KENTUCKY LAND, INC.

ORIGINALLY Dated as of February 12, 2019

**SHARE EXCHANGE AGREEMENT TO
REPLACE THE PLAN OF MERGER**

AMERICAN RESOURCES CORPORATION, a Florida corporation ("American Resources"), and **EMPIRE KENTUCKY LAND, INC.**, a Kentucky corporation ("Company") entered into an Agreement and Plan of Merger (this "Agreement"), dated the 12 day of February, 2019. The intent of this agreement was a share transfer agreement and not a merger between the two entities. The parties will be entering into a formal share exchange agreement between American Resources Corporation and the Company with substantially the same protections, terms and conditions as the previously entered into Merger Agreement except for the fact that it will not be defined as a merger requiring stockholder approval and instead will structured as a share exchange. Such Share Exchange Agreement will be executed not later than Monday February 18, 2019 and will be consummated not later than Wednesday February 20, 2019 business days and will supersede the previously entered Plan of Merger.

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

EMPIRE KENTUCKY LAND, INC.

By: /s/ Greg B. McDonald
Greg B. McDonald, President

(the "Company")

AMERICAN RESOURCES CORPORATION

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

("American Resources")



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Registration Statement on Form S-1 (Amendment #7) of our report dated April 20, 2018 with respect to the audited consolidated financial statements of American Resources Corporation for the years ended December 31, 2017 and 2016. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

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

/s/ MaloneBailey, LLP
 www.malonebailey.com
 Houston, Texas
 February 14, 2019

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February 14, 2019

Mark C. Jensen, CEO
American Resources Corporation
9002 Technology Lane
Fishers, IN 46038

Re: Registration Statement on Form S-1/A for American Resources Corporation

Dear Mr. Jensen:

You have requested our opinion, as counsel for American Resources Corporation, a Florida corporation (the "Company"), in connection with a Registration Statement on Form S-1/A (Amendment No. 7) (the "Registration Statement") to be filed by the Company with the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 (the "Act"), as amended, regarding the legality of the 40,000,000 shares (the "Shares") of Series "A" Common Stock, par value \$0.0001 per share, of the Company which are being registered in the Registration Statement.

We have made such legal examination and inquiries as we have deemed advisable or necessary for the purpose of rendering this opinion and have examined originals or copies of the following documents and corporate records:

1. Articles of Incorporation and amendments thereto;
2. Bylaws;
3. Resolutions of the Board of Directors authorizing the issuance of the Shares; and
4. Such other documents and records as we have deemed relevant in connection with this opinion.

In rendering this opinion, we have relied upon, with the consent of the Company and its Board of Directors: (i) the representations of the Company, its officers and directors as set forth in the aforementioned documents as to factual matters; and (ii) assurances from the officers and directors of the Company regarding factual representations as we have deemed necessary for purposes of expressing the opinions set forth herein. We have not undertaken any independent investigation to determine or verify any information and representations made by the Company, its officers and directors in the aforementioned documents and have relied upon such information and representations as being accurate and complete in expressing our opinion.

We have assumed in rendering the opinions set forth herein that no person or entity has taken any action inconsistent with the terms of the aforementioned documents or prohibited by law. This opinion letter is limited to the matters set forth herein and no opinions may be implied or inferred beyond the matters expressly stated herein. We undertake no, and hereby disclaim any, obligation to make any inquiry after the date hereof or to advise you of any changes in any matter set forth herein, whether based on a change in the law, a change in any fact relating to the Company or any other person or any other circumstance.

It is our opinion that the 40,000,000 shares of Series "A" Common Stock of the Company being registered pursuant to the Registration Statement by the Company, were duly authorized by all necessary corporate action on the part of the Company and when issued in exchange for the agreed consideration, will be validly issued, fully paid and non-assessable and, when sold as contemplated in the Registration Statement, will continue to be validly issued, fully paid and non-assessable. This opinion letter opines upon applicable provisions of the Securities Act of 1933, Florida law including the statutory provisions, all applicable provisions of the Florida Constitution and reported judicial decisions interpreting those laws.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our law firm under the caption "Interest of Named Experts and Counsel" in the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Sincerely,

LAW OFFICE OF CLIFFORD J. HUNT, P.A.

/s/: Clifford J. Hunt, Esquire
