

AMERICAN

RESOURCES CORPORATION
(NASDAQ: AREC)

*Indiana Property Clean Up
Post Ownership Control*

Summer 2020



A PROPERTY LEFT IN DISARRAY

LANDREE MINE HISTORY

The predecessor to American Resources Corporation (ARC) attempted to acquire the Landree Mine in Lily Group's initial bankruptcy proceeding in 2013 due to the sales contracts in place. We were unsuccessful in that bid but remained in touch with the winner of the credit bid, Platinum Partners LP, an investment group based in New York City, NY.

Platinum Partners hired a group out of Arkansas to manage the complex for them as a contract miner. During that period, the prior operator, while under the oversight of Indiana DNR, were completely negligent in protecting the environment and following the requirements of the permit.

As a result the property was left as a littered war zone of waste material, trash and used obsolete equipment penetrating and permeating the property with complete disregard to the community, the environment and the future.

In 2015 Platinum Partners, seeing the neglect and derelict state of the mine and property, approached American Resources requesting our assistance in fixing the property and cleaning up the disastrous state of dozens of acres left with no regard. After months of discussions American Resources accepted the role of manager of the property conditionally that it contained a reclamation budget for equipment and regaining future compliance with the permit, which, given Platinum Partners' own internal issues, resulted in always receiving less capital resources than agreed to.



Improperly stored waste material

THE ENVIRONMENTAL PLAN ENACTED

American Resources immediately implemented its plan-of-action as newly-appointed manager of the Landree Mine, within Platinum's business plan for the mine, to start cleaning up the three mountains of improperly stored refuse material that the prior operator unnecessarily created over the course of two years, despite there being a course refuse impoundment that was present on site less than a mile away.

Furthermore, American Resources balanced the need for a reclamation plan alongside the need for efficiency and that of the environment. Therefore, choosing environmentally friendly and efficient equipment was going to be essential, as nothing appropriate was on-site when it took over as manager.

A "legacy" reclamation spread would consist of inefficient and wasteful equipment, such as an excavator, several trucks, a bulldozer and a compactor. This equipment involves utilizing 300 to 400 gallons of diesel fuel a day while also is very time and labor intensive.

The American Resources **solution** was utilizing a highly modern, fuel-efficient tractor and pan solution. American Resources acquired a very modern, \$500,000 tractor and pan that did the job of five pieces of equipment with a 1/6th to 1/8th of the fuel consumption.

Since American Resources acquiring the tractor and pan it has run continuously with minimal break downs and has literally **moved mountains**.



Waste material moved to it's proper storage location by American Resources

MOUNTAINS MOVED

When ARC took over as manager, the property was completely out of compliance: for no reason the prior operator, under the oversight of local DNR, enabled three massive mountains of waste material, each significantly taller and wider than the prep plant itself, to be created out of the prep plant refuse material. This material should have been moved to its approved location per the permit and it was up to ARC to get it done. By some estimates, it was going to take over \$2.7 million to achieve this and would burn an estimated 86,000 gallons of pollutive diesel fuel.

American Resources, instead of letting this fall back to the taxpayers, accomplished this task all while doing it with environmentally friendly equipment and by utilizing less than 1/6th to 1/8th of the diesel fuel consumption.

Before American Resources



Improperly stored refuse material first being moved by ARC

After American Resources



All three mountains of waste material now properly stored

SETTLEMENT PONDS CLEANED

The main settlement ponds at the Landree Mine were in complete non-compliance when ARC took over the operations. As shown in the images below, the ponds prior to ARC's involvement were completely full of sludge material, magnetite, and were incapable of retaining water as they should. Furthermore, from several discussions with DNR, ARC discovered that repeated actions by the prior operator during the two years that they operated created an environmental issue for years to come as a result of the acidic water created by lack of a properly-functioning settlement ponds.

American Resources immediately purchased a long boom excavator at a cost of approximately \$175,000 to clean out the ponds so that there was adequate settlement time in the ponds themselves and bring them back into compliance.

Before American Resources



Completely full and out-of-compliance settlement ponds.

After American Resources



Ponds that are subsequently "dipped" by ARC and in-compliance.

OBSOLETE EQUIPMENT REMOVED

Since ARC began managing the Landree Mine, the scrap and junk yard that was present, along with all the obsolete equipment and broken equipment, has been removed from the property and is no longer rusting.



WASTELAND FILL & SCRAP YARD REMOVED

For the entire five years prior to American Resources taking control of the Landree Mine, the property was used as a garbage fill, junk yard, scrap yard, and equipment graveyard all-in-one. Thousands of pieces of metal, plastics, scrap, and waste littered the property that was owned by Indiana Fish and Wildlife – scrap that would have stayed on-site if ARC did not assume control.

Once ARC became involved with the property, they immediately began to clean up the land fill and remove all junk equipment. All the remnants of the old material that was left on site to rot in place has been, or is being, removed by our team in an expeditious manner, even to this day during covid-19, utilizing a safe and socially-distanced plan of action.

Before American Resources



Junk and waste litter the Indiana Fish and Wildlife property

After American Resources



All junk and scrap nearly removed, and will be completely removed once remediation is complete



ARC ASSUMES FULL CONTROL OF PROJECT

AMERICAN RESOURCES CORPORATION FINALLY IN FULL CONTROL

In the August of 2019 Platinum Partners was put into liquidation by the government and a trustee, which resulted in running an extensive marketing process to sell the assets of the Landree Mine to potential buyers.

American Resources notified them they lacked the desire to participate in the bidding process and hoped that a party that wanted to create jobs in the area would acquire the complex and run the mine.

In August 2019 the bankruptcy trustee approached American Resources again stating that no parties submitted a bid and that the property was most likely going to fall back to the citizens of the state as a cost to them for reclamation, thereby hurting all parties involved, including the community.

Not wanting that to occur, ARC, in turn, structured a transaction that would result in the environment being protected, while downsizing the footprint, reducing liability and bifurcating the property to keep the mining permit for further evaluation and releasing the other property to a third party distillery to be built to create jobs for the community.

American Resources, now in control of the property, immediately ramped-up its efforts to further remediate the property and seek viable alternatives for the balance of the site:

1. Transfer the Landree Mine to an operator who wants to run the mine and create jobs;
- OR-*
2. Or complete full reclamation and partner with another company that seeks to use the balance of the property for positive outdoor recreational purposes for the community and environment.



Permitted refuse storage area

SLOPE EQUIPMENT & INFRASTRUCTURE REMOVED

To begin the process of placing excavated material back into the mine pit as these alternatives were evaluated, American Resources removed all slope infrastructure, head drives and other equipment and infrastructure that was present on the slope itself. This resulted in over 300 foot of belt, structure and head drives removed. A few pieces of deep mine equipment and underground infrastructure remains in the deep mine itself as the situation is evaluated.



Rusting infrastructure left in-place



Infrastructure removed from pit slope to prepare for re-grading

PIT ROCK BEING RETURNED TO PIT

Furthermore, American Resources has begun, in an environmentally friendly and fuel-efficient travel loop, the process of moving the original pit excavation material from its temporary storage yard back into the pit. From there, it will then be pushed into its final location should the mine go into full reclamation.

Currently, an estimated 500 to 900 cubic yards of pit material is placed back into the pit daily, six days a week.



Material currently being moved to the pit.

OPERATIONAL EFFICIENCY AND POLLUTION MITIGATION

When analyzing the processes of the former, bankrupt mine operator, ARC concluded very quickly that the “legacy” way of performing certain function is not necessarily the best or right way to do those functions.

For instance, when evaluating the proper equipment to move earth material from one location to another, ARC felt that minimizing the negative impact on the environment was just as important as moving the material itself. The traditional way of moving dirt typically involved excess and inefficient equipment (such as multiple trucks, an excavator, a bulldozer and/or a loader and compactor). Each one of these excess pieces of equipment consumes upwards to 50 gallons of fuel a day, for a total of 300 - 400 gallons of fuel or more.

American Resources evaluated a more efficient and cleaner process: the use of a modern-era tractor with a scraper pan typically used in farming and highway jobs to efficiently and quickly move material. There was no reason that couldn't work for the mining industry as well.

The concept behind a tractor and scraper pan is that it loads itself, hauls and spreads the loaded material at its destination itself, and performs the desired soil compaction itself. The result is a replacement of 300 gallons of fuel burned a day with 50 gallons. The tractor also travels twice as fast, given it does not stop to load or spread material and its speed is twice that of trucks over similar terrain.

This is just one example of ARC's introduction of better ways to accomplish the same goal, all while reducing pollution.



Tractor and Pan performing work



TRANSITION TO A PRODUCTIVE COMMUNITY PROPERTY

A PROPERTY IN TRANSFORMATION

What was once a landfill, mountains of waste refuge and an environmental disaster the remaining footprint is now a streamlined property that is being held as an active permit should the coal market improve, and a company purchases the project and create high-paying jobs.

However, in order to hedge against a coal market that does not improve, ARC is preparing the property to be transformed into a place for community enjoyment, coupled with the future adjacent Betterment Spirits Distillery, which served as the prior mine's warehouse and office location.

In either case, the community and the environment are in a significantly better position as a result of the actions of American Resources.



Site preparation for future mining or community enjoyment

A PROPOSED PRIVATE-PUBLIC PARTNERSHIP FOR COMMUNITY ENJOYMENT

To reduce the environmental liability American Resources minimized the footprint of the mining property by bifurcating the impacted land between the mining permit and releasing the other land to be repurposed into Betterment Spirits Distillery. Betterment Spirits is transforming the bifurcated land into a community destination that includes a craft spirits distillery, a visitor center, outdoor activities, and a small amphitheater to showcase regular local musicians.

The result is a win for all parties involved.

The distillery will utilize and renovate some of the existing infrastructure to produce farm-to-bottle small batch craft spirits brand grown with focus on environmental stewardship, quality and perfectionism.

COAL
CRAFT SPIRITS



The primary goal of Betterment Spirits is to transform previously-impacted land into a viable, long-term and sustainable business that provides both local employment and a destination for the community and visitors. By combining the sustainability of local business with the natural beauty of the adjacent public property (called the Hillenbrand Fish and Wildlife area) private industry and public use land can provide a mutual benefit for everyone.

Betterment Spirits, a subsidiary of Land Betterment Corporation, is also actively working on a plan should the remaining Landree Mine enter into full reclamation to repurpose the remaining land with a true "**solution**" that provides a further win to all parties given the impacted lands specific attributes.

FINDING A POSITIVE SOLUTION TO A CHRONIC PROBLEM

The Hildebrand property, including the Landree Mine footprint, has a long history of over 70 years of various coal mining activities. The result is impacted land that has mixed acidic soils with high-quality topsoil. From ARC's due diligence and investigations, there is no reliable record to identify what type of soil quality will be encountered throughout the property as the prior companies did not record or isolate the various soil qualities during the pit excavation.

Should the remaining mine permit go to full reclamation, ARC has worked with Land Betterment Corporation (the parent company to Betterment Spirits) to find a productive, positive, and natural solution to the impacted land surrounding the Landree Mine:

Turning the impacted land into a series of orchards that thrive on the soil quality combined with an education center allowing visitors to learn about the history and nature on the property.

Land Betterment has devised a plan to help return nature to the site by creating various apples, blueberries, and strawberry orchards, which thrive under acidic soils. An apple orchard would involve utilizing the naturally occurring water to be recirculated on-site for irrigation purposes, creating an environment that the community can enjoy while also enjoying the Betterment Spirits distillery and associated facilities.

Everyone wins in this scenario, given the end result would be a **real solution** that takes the "problem" of the property and utilizes its natural components to create an organic fruit farm that the community could enjoy for many years to come.



PROVIDING COMMUNITY EDUCATION TO HILDEBRAND

Land Betterment anticipates providing further public benefit through education of the wonders within the Hildebrand Fish and Wildlife preserve. With activities such as hayrides, wildlife sightseeing guides, educational tours, and informational plaques, Land Betterment's goal is to share the history and educate its visitors of the Betterment Spirits operations to the Hildebrand properties and the history of the region as whole.

